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IN THE

Supreme Court of the United States

OCTOBER TERM, 1967

No. 1338

AMP INCORPORATED,
Petitioner,

v.

THE UNITED STATES,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

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INDEX

	Draft Page No.
OPINIONS BELOW	1
JURISDICTION	1, 2
ISSUE PRESENTED	2
CONSTITUTIONAL PROVISION, STATUTE INVOLVED AND ARMED SERVICES PROCUREMENT REGULATIONS	2
HISTORY	2-4
PETITIONER'S POSITION	4, 5
REASONS FOR GRANTING THE WRIT	5
ARGUMENT	5-9
Subject Inventions	8
Background Inventions	8
All Other Inventions	8
PUBLIC INTEREST	9-10
CONCLUSION	10
APPENDIX	
(A) Commissioner's Decision	A1-A11
(B) Court of Claims' Decision	B(i), B1-B22
(C) Contract in suit [Article 38]	C1-C8
(D) Armed Services Procurement Regulation, effective July 1, 1949	D1-D16

Draft
Page No.

(E) Armed Services Procurement Regulation Section IX, 9-107.5 of October 1966 ---------- E1-E3

(F) Report of the Patent Policy Review Board:

(1) Letter of Transmittal ------ F1

(2) "Reproduction Rights under Background Patents" [p. 48] ---------- F2-F3

(3) APPENDIX B ---------- F3-F4

(G) Testimony of Deputy Assistant Secretary of Defense ---------- G1

(H) 28 U.S.C. § 1255(1) ---------- H1

(I) U. S. CONST. amend. V ---------- I1

IN THE

Supreme Court of the United States

OCTOBER TERM, 1967

No. _____

AMP INCORPORATED,
Petitioner,
v.
THE UNITED STATES,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

Petitioner, AMP Incorporated, prays that a writ of certiorari issue to review the judgment of the United States Court of Claims entered in this case on January 19, 1968.

Opinions Below

The opinion of the Commissioner is printed in the appendix[1]. The opinion of the United States Court of Claims is printed in the appendix[2].

Jurisdiction

The opinion of the Court of Claims was handed down on January 19, 1968, and amended February 2,

[1] App., pp. A1-A11.
[2] App., pp. B(i)-B22.

1968. The jurisdiction of this Court is invoked under 28 U.S.C. § 1255(1)[3].

Issue Presented

Does a proper interpretation of the Armed Services Procurement Regulations require the granting of a patent license to the Government when the contract specifically excludes such a license?

Constitutional Provision, Statute Involved and Armed Services Procurement Regulations

The applicable Constitutional provision[4], statute[5] and Armed Services Procurement Regulation[6] are set forth in the appendix.

History

Petitioner is a company with twenty-five years' experience in designing and developing electrical connectors and tools for applying them. Respondent is The United States Government.

In the early 1950's, the Government had a special problem in splicing wire used by the Signal Corps. The wire [called WD-1 wire] had a steel strand to give it greater strength. Unfortunately, the steel strand made the wire difficult to splice.

On May 27, 1950, the petitioner accepted a contract to develop a device for splicing this wire. The contract

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[3] App., p. H1.
[4] App., p. I1.
[5] App., p. H1.
[6] App., pp. D1-D16.

contained all pertinent Armed Services Procurement Regulations.[7] The petitioner did develop such a device and delivered it to the Government under the contract.

The language of the contract[8] [corresponding to the Armed Services Procurement Regulations language] provided that the Government would get a license under any inventions made in compliance with the contract[9] (called "Subject Invention"), and under any patents the contractor owned during the license period[10] (called "background patents"), but expressly precluded a license under any other patent.[11]

This language was first adopted in Government contracts on July 1, 1949, when the United States Department of Defense issued an Armed Services Procurement Regulation Section IX, entitled "PATENTS AND COPYRIGHTS." Paragraph 9-001[12] of the regulations stated:

> "This section *shall* be complied with on and after July 1, 1949; and the contract clauses set forth in this section *shall* be inserted, whenever applicable, in all contracts executed as of a date on or after July 1, 1949." [Emphasis added.]

Petitioner did make a Subject Invention under the contract, received U. S. Letters Patent No. 2,722,146 [Byrem] on said Subject Invention, and delivered to the Government a formal license under said Byrem

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[7] App., pp. D1-D16.
[8] App., pp. C1-C8.
[9] App., pp. C1-C2.
[10] App., pp. C7-C8.
[11] App., p. C2.
[12] App., p. D1.

patent in accordance with the terms of said Article 38(a). Petitioner also delivered the requisite background patent licenses to the Government.

After the contract was completed, the petitioner, having acquired a dominating patent owned by a third party, notified the Government of infringement. The Government chose to ignore the patent and petitioner filed suit. The Government contends now that it is entitled to a license under the after-acquired patent, in spite of the express language to the contrary in the contract. The Court of Claims has ruled in favor of the Government.

In broad, sweeping language, the Court of Claims has held that any grant of a patent license to the Government automatically carries with it a license under all other patents owned or subsequently acquired by the licensor.

THE ARMED SERVICES PROCUREMENT REGULATIONS' LANGUAGE HAS BEEN USED IN EVERY DEPARTMENT OF DEFENSE DEVELOPMENT CONTRACT FOR THE LAST 18 YEARS.

We now ask the Supreme Court to tell us what it means.

Petitioner's Position

Petitioner contends that proper interpretation of the Armed Services Procurement Regulations and the language of the contract require that licenses under related patents involve separate negotiation and, absent fraud, misrepresentation, etc., the Government acquires no rights unless the contract expressly awards them. This is the interpretation the Government placed on

this language when seeking qualified bidders to accept Government contracts[13].

Reasons for Granting the Writ

1. THE DECISION OF THE UNITED STATES COURT OF CLAIMS CASTS A SERIOUS DOUBT ON PATENT RIGHTS INVOLVING ANY PATENTS OWNED BY COMPANIES PRESENTLY OR PREVIOUSLY ENGAGED IN CONTRACTS WITH THE GOVERNMENT.

2. THE INTERVENTION OF THE SUPREME COURT IS NECESSARY TO CLARIFY THE LAW REGARDING THE PATENT RIGHTS OF THE GOVERNMENT VERSUS THE PATENT RIGHTS OF PRIVATE CONCERNS DOING BUSINESS WITH THE GOVERNMENT.

3. THE UNITED STATES COURT OF CLAIMS HAS RULED THAT THE GOVERNMENT IS ENTITLED TO A PATENT LICENSE, IN SPITE OF EXPRESS LANGUAGE IN THE CONTRACT TO THE CONTRARY.

4. THE GOVERNMENT HAS ENTERED INTO CONTRACTS FOR THE LAST 18 YEARS WITH THE REPRESENTATION THAT IT DID NOT ACQUIRE RIGHTS IN CERTAIN PATENTS, AND NOW TAKES THE POSITION THAT IT IS ENTITLED TO SUCH RIGHTS, EX POST FACTO.

Argument

It is axiomatic that contracting parties may enter into any contract they wish, as long as it is not illegal.[14]

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[13] App., pp. F2-F3.

[14] "CLARK ON CONTRACTS," pp. 14, 15 [4th ed., A. Throckmorton & A. Brightman (1931)].

Having made such a contract, its terms are enforceable at law and the contract will not be voided or reformed by the courts merely because one of the parties later discovers that the terms are less profitable than it originally anticipated.[15]

Applying the axiom to the present case, petitioner and respondent entered into a contract whereby the petitioner would develop certain tools for the Government and the Government agreed to pay for the work. The work was completed and the payment was made.

Ancillary to the agreement was a provision relating to patent rights[16]. It divided such rights into three categories:

(1) subject inventions—those made under the contract;

(2) background inventions—those owned by the contractor during the contract period; and

(3) all others.

The agreement expressly gives the Government a right under class (1) and class (2), and expressly precludes a license under class (3).

The invention in suit falls into class (3). Nevertheless, the Government insists that it is entitled to an implied patent license, contrary to the express provisions of the contract.

The language in the contract relating to Patent Rights is language the Contracting Officer for the Gov-

[15] Id. at 5.

[16] App., p. C1-C8.

ernment was required to use under the Armed Services Procurement Regulations. The contract language reproduces, verbatim, Section IX, Paragraph 9-107.1, of the Armed Services Procurement Regulations promulgated on July 1, 1949[17].

The Government's original representation as to the meaning of this language was stated by the Armed Services Patent Policy Review Board[18]. The Board held a number of hearings, receiving the testimony of personnel of various military departments, Armed Services Procurement Regulations Committee, industry and special consultants, and issued its Final Report on August 12, 1952[19]. It is of interest to note that the hearings were held and the findings were made during the contract period. The Board confirmed petitioner's understanding of the contract language.

The Board represented at that time to the public that the proper interpretation of Section IX, Paragraph 9-107.1[20] of the Armed Services Procurement Regulations (the very language of the contract) was:

> "If it happens that the invention is . . . disclosed in a dominant patent of the contractor, the Government does *not*, by virtue of the license under the "subject invention", also have a license under the dominant patent." [Emphasis added.]

Now the Government seeks an interpretation of the contractual language that is in direct conflict with the representation it made during the contract period.

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[17] App., pp. D1-D16.
[18] App., pp. F1-F4.
[19] App., pp. F1-F4.
[20] App., pp. F2-F3.

Subject Inventions

The language of the agreement[21] clearly sets out the definition of "Subject Invention," under which the Government is entitled to a license. According to this definition, it is limited to inventions made in the performance of the contract. Applying this definition, an invention made by a third party, a stranger to the contract, is not a "Subject Invention" and the Government is not entitled to a license under the "Subject Invention" clause. The Government does not contest this.

Background Inventions

The Government's right under the "background inventions" clause[22] limits it to a license under any patents owned by the contractor *during the contract period.* Since the patent in suit was not acquired until *after* the contract period, the Government is not entitled to a license under this clause. This is also uncontested.

All Other Inventions

The invention of the patent in suit, not falling into class (1) or class (2), automatically falls into class (3). The distribution of rights under class (3) is governed by the language:

> "Nothing contained in this paragraph shall be deemed to grant any license under any invention other than a subject invention."[23]

Therefore, under the express language of the contract, the Government is not entitled to a license. However, in spite of the clear language of the contract and the position taken by the Government during the contract

[21] App., p. C1.
[22] App., pp. C7-C8.
[23] App., p. C2.

period that it was not entitled to a license, the Court of Claims has held that the Government is entitled to an implied license.

Public Interest

Petitioner's concern in this matter aside, the Government's change of position regarding the interpretation of the Armed Services Procurement Regulations, has cast a considerable amount of uncertainty in the law of contracting with the Government.

Firms contracting with the Government previously understood that granting or withholding licenses under their patents were matters of negotiation, freely entered into by the parties, in framing the contract. This interpretation has been adopted by the Government for the past 18 years.

The Government now contends (and the Court of Claims supports it) that a license under a patent conveys, by implication, licenses under all other related patents owned or subsequently acquired by the contractor, even in spite of express language to the contrary.

The language quoted from the contract is the result of the provisions of the Armed Services Procurement Regulations, promulgated by the Government to regulate the terms of Government contracts. This language is exactly the language set forth in Section IX, Paragraph 9-107.1, of the Armed Services Procurement Regulations, as issued July 1, 1949.[24]

This language was interpreted by the Armed Services Patent Policy Review Board[25] which, as pre-

[24] App., p. D4.
[25] App., pp. F2-F3.

viously noted, stated that the language was *not* intended to grant a license under dominant patents, emphasized it by saying:

> "This should be clear, for the granting clause of 107.1b states that such a license is not obtained."[26]

Thus we find a remarkable situation in that certain specific language, required by Government regulation to be included in the contract, was interpreted by the Government in 1952, as not intended to grant certain licenses and the Court of Claims' now holding that it was intended to grant such licenses.

Under the Court's ruling, companies which have entered into contracts with the Government, believing that the Government would get no rights under inventions developed at private expense, may find that, contrary to their intent and contrary to the express language of the contract, the Government is the beneficiary of royalty-free licenses.

Conclusion

The decision of the United States Court of Claims expropriates property without compensation. It casts doubt as to what rights the Government has in thousands of patents owned by innumerable vendors doing business with the Government.

The Supreme Court should clear up that doubt by granting certiorari.

Respectfully submitted,

WILLIAM J. KEATING
[*Attorney for Petitioner*]

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[26] App., p. F3.

APPENDIX

(A) Commissioner's Decision

(B) Court of Claims' Decision

(C) Contract in suit [Article 38]

(D) Armed Services Procurement Regulation, effective July 1, 1949

(E) Armed Services Procurement Regulation Section IX, 9-107.5(b) . . . of October 1966

(F) Report of the Patent Policy Review Board:

(1) Letter of Transmittal

(2) "Reproduction Rights under Background Patents" [p. 48]

(3) APPENDIX B

(G) Testimony of Deputy Assistant Secretary of Defense

(H) 28 U.S.C. § 1225(1)

(I) U.S. CONST. amend. V

Appendix A

IN THE

United States Court of Claims

No. 29-65

(Filed Feb. 17, 1967)

AMP INCORPORATED

v.

THE UNITED STATES

REPORT OF COMMISSIONER TO THE COURT*

William J. Keating, attorney of record for plaintiff.

Howard B. Rockman, with whom was *Assistant Attorney General Barefoot Sanders,* for defendant.

OPINION

DAVIS, *Commissioner:* This is a patent suit under 28 U.S.C. § 1498 in which plaintiff seeks reasonable and entire compensation for unauthorized use or manufacture by or for the United States of a patented inven-

* The opinion, findings of fact, and recommended conclusion of law are submitted under the order of reference and Rule 57(a).

tion.[1] The sole isue before the court is whether defendant is licensed under the patent in suit.[2]

Plaintiff and defendant entered into a research and development contract in 1950 under which plaintiff was to develop for the Army a crimping tool for splicing electrical wires. The pertinent clauses of the contract relate to patent rights and, in essence, provide as follows:

* * * * *

> (b) The Contractor agrees to and does hereby grant to the Government an irrevocable nonexclusive, non-transferable and royalty-free license to practice, and cause to be practiced for the Government throughout the world, each Subject Invention in the manufacture, use, and disposition according to law, of any article or material, and in the use of any method * * *. Nothing contained in this paragraph shall be deemed to grant any license under any invention other than a Subject Invention. * * *

* * * * *

The term "Subject Invention" is defined in the contract as follows:

* * * * *

> (i) The term "Subject Invention" means any invention, improvement or discovery (whether or not patentable) conceived or first actually reduced to practice either (A) in the performance of the experimental, developmental or research work called for under this contract, or (B) in the per-

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[1] U.S. Patent 2,612,932 (hereinafter the "Vinson" patent or "patent in suit"), entitled "Sleeve Compressing Tool," issued to W. A. Vinson on October 7, 1952, on an application filed September 9, 1946.

[2] All facts relating to the license issue are stipulated by the parties. The parties have agreed to defer trial on the issues of patent validity, infringement, and amount of reasonable and entire compensation, if any, until resolution of the license issue.

formance of any experimental, developmental or research work relating to the subject matter of this contract which was done upon the understanding that a contract would be awarded.

* * * * *

In addition, the contract contained a so-called "back-ground patents reproduction rights" clause (reproduced in full in the findings of fact), by which defendant was granted a license under any patents (1) then owned by plaintiff or (2) acquired by plaintiff before completion of the contract, to reproduce articles like those furnished to defendant under the contract. The controversy here involves interpretation of these contract clauses in light of the following facts:

In performance of the contract, G. H. Byrem, an employee of plaintiff, invented a suitable crimping tool. A patent application was duly filed in August 1952; and in September 1953, plaintiff granted to defendant a confirmatory license under the Byrem patent application as required by the contract.

In late 1952 or early 1953, plaintiff instigated a "right to manufacture" prior art search to find out whether it was free to make the Byrem crimping tool without infringing patents of others more basic in the art. The Vinson patent turned up in the search. Plaintiff studied its claims and concluded that several of them were broad enough to cover the Byrem tool. After negotiation with its owner, plaintiff acquired the Vinson patent on November 4, 1953, which, as below noted, was after completion of its contract with defendant.

In the meantime, plaintiff performed its obligations under the contract by shipping tools to defendant. A

final shipment was made June 5, 1953, of wire splicing tools conforming to the disclosure of the Byrem patent application. Such shipment completed performance of the contract.

Sometime after plaintiff acquired the Vinson patent (November 4, 1953), defendant purchased from sources other than the plaintiff several thousand of the tools made as shown in the Byrem patent. Plaintiff considered such tools to be infringements of the Vinson patent and so-informed the defendant. After an unsuccessful attempt to get compensation from the Department of Defense, plaintiff filed suit in this court.

It is clear from this background that the issue is simply whether defendant is licensed by implication under the dominant Vinson patent in view of the express license granted under the dominated Byrem patent.[3] Resolution of the issue requires analysis of the parties' contract and the case law of implied patent licenses.

Defendant's position is that the "law implies a license under the Vinson patent running to the benefit of the Government" and that plaintiff is "estopped from prosecuting this action" since, so defendant argues, a license under the Byrem patent without a license under the Vinson patent is "useless" and "plaintiff should not be allowed to bestow a right with one hand, and take that right away with the other." Defendant relies on *United Printing Machinery Co.*

[3] Defendant assumes *arguendo*, for purposes of resolving the license issue, that the claims of the Vinson patent are sufficiently broad to cover the device of the Byrem patent; or, to use patent law parlance, the Vinson patent "dominates" the Byrem patent.

v. *Cross Paper Feeder Co.*, 220 F. 322 (D. Mass. 1915), and other cases, for the proposition that a patent owner cannot grant rights under one patent, then limit such rights by asserting against the grantee an older and broader patent. Defendant further contends that it did not, by its contract with plaintiff, "forego its rights to an implied license" under the dominant Vinson patent.

Plaintiff's position is that by express language of the contract, no license was granted to defendant under the Vinson patent since Vinson (1) does not claim an invention made pursuant to the contract, *i.e.*, a "Subject Invention" and (2) was acquired after the contract was fully performed, thus falling outside the "background patents reproduction rights" clause.

It is held that defendant is not licensed under the Vinson patent. It is clear from the plain language of the contract here that the parties did not intend to include under the license umbrella patents acquired after completion of the contract and not resulting from performance of the contract. The *United Printing* case, and other cases relied on by defendant, is not in point. In none of the cited cases was there a contract, as there is here, expressly limiting the license grant.[4]

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[4] As stated in *Eastern Rotorcraft Corp.* v. *United States*, Ct. Cl. No. 14-63 (filed June 21, 1966), 150 USPQ 124, 128:

> Whether the Government receives a license to use background or dominant patents which were made prior to the Government contract is a matter for negotiation between the parties. The contract expressly stated that the Government does not obtain a license either "directly or by implication" to inventions made outside the contract.

Defendant's contention that the license under the Byrem patent is "useless" without a license under the Vinson patent is not persuasive. As pointed out in *Eastern Rotorcraft,* cited in n. 5, "when the patent in suit expires [1969] the Government will then be able to freely make and use * * * [crimping tools] embodying both the dominant and improvement inventions." In the meantime, defendant is no worse off than it would be if the Vinson patent were owned and enforced by someone other than the plaintiff.

Defendant does not contend that plaintiff in any way acted improperly by acquiring the Vinson patent *after* completion of the contract, rather than before. The record is inconclusive whether plaintiff even knew the Vinson patent existed before the contract was completed on June 5, 1953. It appears that plaintiff acted as any prudent manufacturer would under the same circumstances in making the "right to manufacture" search and, in due course, acquiring rights under the dominant patent.

Contrary to defendant's allegation, plaintiff did not "bestow a right" which it now seeks to take away. Defendant paid for and got the benefit of plaintiff's research and development work under the contract, *viz.,* tools and a nonexclusive patent license for *inventions made under the contract.* That was the only deal the parties made. The contract here is a typical Government research and development contract, the patent clauses being dictated by the Armed Services Procurement Regulation (ASPR), Section 9. Under well-established principles of contract law, contract terms are to be interpreted most strongly against the party

who is responsible for them. Defendant here made it quite clear what license rights it demanded as a condition of the contract. Rights under after-acquired patents could have been included but were not, despite defendant's concession in its brief that "in the issuance of all Government contracts, it is realized that the field of use might not be free of dominating patents."

To sum up: Defendant is not licensed under the Vinson patent because (1) the Vinson invention is not a "Subject Invention" as contemplated by the contract and (2) because the Vinson patent was acquired after completion of the contract and is expressly without the terms of the contract.

Findings of Fact

1. This is a patent suit arising under Title 28 U.S.C. § 1498. Plaintiff seeks reasonable and entire compensation for unauthorized use or manufacture by or for defendant, the United States, of an article of manufacture disclosed and claimed in claims 4, 5, 7, and 10 of U.S. Patent 2,612,932, entitled "Sleeve Compressing Tool," issued to W. A. Vinson on October 7, 1952, on an application filed September 9, 1946. Plaintiff is owner of all right, title, and interest in the Vinson patent by reason of documents of assignment dated November 4, 1953, duly recorded in the U.S. Patent Office.

2. Plaintiff AMP Incorporated (formerly Aircraft-Marine Products, Inc.) is a corporation of New Jersey, having a principal place of business at Harrisburg, Pennsylvania.

3. The sole issue before the court is whether defendant is licensed under the patent in suit. The parties have agreed to defer trial on the issues of patent validity, infringement, and amount of reasonable and entire compensation, if any, until resolution of the license issue. The parties have stipulated all facts relating to the license issue.

4. Plaintiff and defendant entered into a research and development contract No. DA-36-039-sc-168, dated May 27, 1950, under which plaintiff was to develop for the Army a crimping tool for splicing electrical wires. The contract contained the following:

ARTICLE 38 PATENT RIGHTS

(a) As used in this clause, the following terms shall have the meanings set forth below:

(i) The term "Subject Invention" means any invention, improvement or discovery (whether or not patentable) conceived or first actually reduced to practice either (A) in the performance of the experimental, developmental or research work called for under this contract, or (B) in the performance of any experimental, developmental or research work relating to the subject matter of this contract which was done upon the understanding that a contract would be awarded.

* * * * *

(b) The Contractor agrees to and does hereby grant to the Government an irrevocable, nonexclusive, nontransferable and royalty-free license to practice, and cause to be practiced for the Government throughout the world, each Subject Invention in the manufacture, use, and disposition according to law, of any article or material, and in the use of any method; *provided,* however, that with respect to (i) any Subject Invention made by other than

Technical Personnel, (ii) any Subject Invention conceived prior to any performance of this contract as set forth in paragraph (a) above but first actually reduced to practice in the course of any such performance, and (iii) the practice of any Subject Invention in foreign countries, the said license and other rights hereinafter provided shall be to the extent of the Contractor's right to grant the same without incurring any obligation to pay royalties or other compensation to others solely on account of said grant. Nothing contained in this paragraph shall be deemed to grant any license under any invention other than a Subject Invention. Any license granted herein shall not convey any right to the Government to manufacture, have manufactured, or use any Subject Invention for the purpose of providing services or supplies to the general public in competition with the Contractor or the Contractor's commercial licensees in the licensed fields.

* * * * *

(i) In addition to the rights granted to the Government in the foregoing paragraphs of this clause, the Contractor hereby grants to the Government, under any patents now or hereafter issued with respect to which the Contractor now has, or prior to completion or final settlement of the contract may acquire, the right to grant licenses without becoming liable to pay compensation to others because of such grant, the right to reproduce or to have reproduced articles or materials substantially the same as those delivered to the Government hereunder, and any modifications or improvements thereof, and to practice or cause to be practiced processes developed in the performance of this contract, and to use in their entirety and dispose of in accordance with law articles or materials so reproduced. The acceptance or exer-

cise by the Government of the aforesaid right shall not prevent the Government at any time from contesting the enforceability, validity or scope of, or title to, any patent under which a right is granted by this paragraph. Any rights granted to the Government by this paragraph shall not convey any right to the Government to reproduce or have reproduced any article or material, or to practice or cause to be practiced any process, for the purpose of providing services or supplies to the general public in competition with the Contractor or the Contractor's commercial licensee in the licensed fields. This paragraph shall not be required to be included in any subcontracts hereunder.

* * * * *

5. In performance of the contract, G. H. Byrem, an employee of plaintiff, conceived and reduced to practice a crimping tool for wire splicing. A patent application, describing and claiming such tool, was filed August 25, 1952, and U. S. Patent 2,722,146 was duly issued thereon November 1, 1953. Byrem assigned all rights to the invention to plaintiff who executed a confirmatory license to defendant on September 11, 1953, under the patent application as required by Article 38 of the aforementioned contract.

6. Between May 27, 1950, the date of the contract, and June 5, 1953, plaintiff shipped to defendant 60 wire splicing tools in partial performance of the contract. On June 5, 1953, plaintiff shipped to defendant 10 models of a wire splicing tool conforming to the disclosure of the Byrem patent application. Such shipment completed performance of the contract and plaintiff received full payment thereunder from defendant.

7. Within six years preceding the filing of this suit, defendant acquired from sources other than the plain-

tiff 26,000 wire splicing tools made as shown and described in Byrem patent 2,772,146.

8. On November 4, 1953, plaintiff acquired the Vinson patent, the patent in suit, following prior art searches made at plaintiff's direction and reported to plaintiff in letters dated February 28, 1953 and August 26, 1953. Plaintiff had instigated the prior art searches to find out whether it was free to manufacture the crimping tool described in the Byrem patent application without infringing patents more basic in the art. Plaintiff considered several claims of the Vinson patent broad enough to cover the tool disclosed in the Byrem patent application and thereafter decided to acquire the Vinson patent.

9. The invention disclosed and claimed in the Vinson patent was not made pursuant to any contractual relation between plaintiff and defendant.

10. As early as August 30, 1957, plaintiff put several prospective bidders of defendant on notice that purchase of tools like those noted in finding No. 7 was deemed an infringement of the Vinson patent. By letters dated May 13, 1960 and March 30, 1964, plaintiff asserted a claim for full compensation by the Department of Defense for alleged infringement of the patent in suit. Plaintiff's claim was denied.

Recommended Conclusion of Law

Upon the foregoing findings of fact, the court concludes as a matter of law that defendant is not licensed under U. S. Patent 2,612,932. The case is remanded to the commissioner for further proceedings not inconsistent with this opinion.

Appendix B
B(i)

IN THE
UNITED STATES COURT OF CLAIMS

No. 29-65

AMP INCORPORATED

v.

THE UNITED STATES

ORDER

This case comes before the court on its own motion to correct and amend the slip opinion entered herein on January 19, 1968. Upon consideration thereof,

IT IS ORDERED that the citation "35 U.S.C. § 271" appearing at lines 2 and 3 of page 1 of the said slip opinion be and the same is stricken and deleted and the citation "28 U.S.C. § 1498" be and the same is inserted in lieu thereof.

BY THE COURT

WILSON COWEN
Chief Judge

IN THE

UNITED STATES COURT OF CLAIMS

No. 29-65

(Decided January 19, 1968)

AMP INCORPORATED

v.

THE UNITED STATES

William J. Keating, attorney of record, for plaintiff.

Howard B. Rockman, with whom was *Assistant Attorney General Edwin L. Weisl, Jr.,* for defendant.

Before COWEN, *Chief Judge,* LARAMORE, DURFEE, DAVIS, COLLINS, SKELTON, and NICHOLS, *Judges.*

OPINION

DURFEE, *Judge,* delivered the opinion of the court:

This is a patent suit arising under the provisions of 28 U.S.C. § 1498, for the alleged unauthorized use by the United States of a "Sleeve Compressing Tool" (wire-splicing device), as set forth in claims 4, 5, 7 and 10 of the U.S. Patent No. 2,612,932 (hereafter referred to as the "Vinson Patent" or "patent in suit"). The United States pleaded in its answer an affirmative defense based on an implied license arising by operation of law by virtue of a prior agreement between the parties.

The sole issue[1] before the court is whether there is an implied license under the patent in suit. We decide that there was such an implied license under the circumstances of this case.

On May 27, 1950 plaintiff, AMP, Inc. (successor-in-interest to Aircraft-Marine Products, Inc.) and defendant entered into a research and development contract No. DA-36-039-sc-168, under which plaintiff was to develop and supply to the Army a crimping tool for splicing electrical wires.

Pursuant to the requirements of the contract, plaintiff developed and furnished to the Army Signal Corps a total of 60 experimental models of the wire-splicing tool. The crimping device furnished to the Army was invented and developed by G. H. Byrem, an employee of plaintiff. A patent application for this tool was filed August 25, 1952.[2] On June 5, 1953, the last shipment of items called for under the contract was sent by plaintiff to the Signal Corps and the acceptance of these items shortly thereafter constituted the completion of the contract.

The contract to develop and supply these wire-splicing tools also contained various clauses pertaining to

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[1] All facts relating to the license issue are stipulated by the parties. The parties have agreed to defer trial on the issues of patent validity, infringement, and amount of reasonable and entire compensation until resolution of this case. Since we decide the license issue in favor of defendant, it will not be necessary to litigate the other issues.

[2] The patent application issued as United States Letter Patent No. 2,722,146 (hereinafter referred to as "Byrem Patent") on November 1, 1955.

patent rights, which in relevant part, provide as follows:

ARTICLE 38 PATENT RIGHTS

(a) As used in this clause, the following terms shall have the meanings set forth below:

(i) The term "Subject Invention" means any invention, improvement or discovery (whether or not patentable) conceived or first actually reduced to practice either (A) in the performance of the experimental, developmental or research work called for under this contract, or (B) in the performance of any experimental, developmental or research work relating to the subject matter of this contract which was done upon the understanding that a contract would be awarded.

* * * * *

(b) The Contractor agrees to and does hereby grant to the Government an irrevocable, nonexclusive, nontransferable and royalty-free license to practice, and cause to be practiced for the Government throughout the world, each Subject Invention in the manufacture, use, and disposition according to law, of any article or material, and in the use of any method; * * *. Nothing contained in this paragraph shall be deemed to grant any license under any invention other than a Subject Invention. * * *

* * * * *

(i) In addition to the rights granted to the Government in the foregoing paragraphs of this clause, the Contractor hereby grants to the Government, under any patents now or hereafter issued with respect to which the Contrac-

> tor now has, or prior to completion or final settlement of the contract may acquire, the right to grant licenses without becoming liable to pay compensation to others because of such grant, the right to reproduce or to have reproduced articles or materials substantially the same as those delivered to the Government hereunder * * *.

In accordance with the provisions of Article 38(b) of the contract, the Government was given a royalty-free license to practice and have practiced the invention which is the subject matter of the Byrem Patent. Relying on this license, the Government, subsequently issued Invitations for Bid calling for production of the wire-splicing tool developed by plaintiff. Bids were received in response to these IFBs, and contracts were awarded by the Government. As a result thereof, approximately 26,000 wire-splicing tools, identical in structure to the disclosure of the Byrem Patent, were supplied to the Government from sources other than plaintiff.

Approximately at the same time the contract between plaintiff and defendant was completed, plaintiff discovered that a patent (Vinson Patent), which was filed in 1946 and issued in 1952, dominated its own Byrem Patent; that is to say, the wire-splicing device produced according to the disclosure of the Byrem Patent infringed the prior Vinson Patent. After some negotiations with the patentee, plaintiff acquired[3] the Vinson Patent on November 4, 1953, *i.e.*, subsequent to the completion of the contract with defendant.

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[3] It is not necessary to resolve the factual dispute as to whether the Vinson Patent was acquired in order to protect the Byrem tool or to protect another device then being developed by plaintiff, since plaintiff's motive does not have any probative weight as to the legal issue of implied license.

It is alleged by plaintiff that the purchase of tools by the Government, although such purchases were in accordance with the licensing provisions of the parties' agreement, infringes plaintiff's after-acquired Vinson Patent. The Government admits there would be infringement here if the Vinson Patent were in the hands of any third party, but contends that since the patent is in the hands of plaintiff, an implied license arises because of the original licensing agreement.

It is clear from this background that the issue is simply whether defendant is licensed by implication under the dominant Vinson Patent in view of the express license granted under the dominated Byrem Patent. Resolution of the issue requires analysis of the case law concerning the doctrine of implied license and also the specific provisions of the parties' contract.

I

The Government admits that the express license to practice the invention (wire-splicing device) does not by itself authorize use under the dominant Vinson Patent. The Government is correct, however, in pointing out that the law will imply a license in certain situations, including the instant situation. This principle of law has been stated to be that when a person sells a patent which employs an invention which infringes a prior patent, the person selling is estopped from bringing an action against his grantee for that infringement, even though the earlier patent is acquired after the sale of the later patent. *United Printing Machinery Co.* v. *Cross Paper Feeder Co.*, 220 Fed. 322 (D. Ct. Mass. 1915); 4 *Deller's Walker on Patents*, § 395, p. 565 (2d ed. 1965). The same principle applies

to the grant of a patent right by license as well as assignment. *Steam Stone Cutter Co.* v. *Shortsleeves*, 22 Fed. Cases, 1168 (C.C. Vt. 1879).

One argument made by plaintiff should be dealt with first because it introduces a distortion into the theory of implied license, and adds an unnecessary complexity to the case at bar. Plaintiff has argued that all the cases cited by defendant are distinguishable from the instant case because they rest on a finding of estoppel. Plaintiff is quite correct in this assertion that the courts generally have first looked for facts which give rise to an estoppel in the process of concluding that there is an implied license. However, plaintiff erroneously assumes that the cases and textwriters were uniformly describing the doctrine of estoppel in pais (estoppel by misrepresentation), and concludes that there can be no such estoppel here because plaintiff did not make any false representation, which is an essential element of that form of estoppel.

An analysis of the cases, however, demonstrates that the form of estoppel used in these cases to support an implied license has not been estoppel in pais. The cases do not require a showing of false representation.[4]

[4] This does not mean that other forms of estoppel can never be applied under the implied license doctrine. For example in *Preformed Line Products Co.* v. *Fanner Mfg. Co.*, 225 F. Supp. 762, 124 USPQ 288 (N.D. Ohio E.D. 1960), *aff'd*, 328 F. 2d 265, 140 USPQ 500 (6th Cir. 1964), *cert. denied* 379 U.S. 846 (1964) the court held the defendant was entitled to an implied license on alternative grounds: (1) Because plaintiff was bound to know that the royalties it received were for devices corresponding to the patent in suit, defendant was justified in concluding that plaintiff consented to the manufacture of the accused devices within the scope of the asserted patent. [estoppel by acquiescence]; (2) Even if defendant was mistaken in its belief, then defendant was misled to its prejudice by plaintiff's conduct. [estoppel by misrepresentation.]

This estoppel is actually in the nature of a legal estoppel.[5] The essence of legal estoppel that can be found in the estoppel of the implied license doctrine involves the fact that the licensor (or assignor) has licensed (or assigned) a definable property right for valuable consideration, and then has attempted to derogate or detract from that right. The grantor is estopped from taking back in any extent that for which he has already received consideration.

In the case of *United Printing Machinery Co., supra,* plaintiff bought, from a stranger to the earlier assignment, a second patent and sued defendant, alleging that the machines he was using pursuant to the earlier assignment infringed the after-acquired patent. Since there was no showing whatsoever that plaintiff knew of the prior patent at the time of the assignment, there could not have been any misrepresentation by plaintiff, and as a consequence, no justification for a finding of estoppel in pais. Yet the court held that the facts did give rise to an "estoppel." By way of defining this estoppel they said in part [*Id.* at 324]:

> This equitable principle seems to be also sustained by authority. A patentee cannot sell his rights to another, and buy or obtain control of an older patent, and through such older patent, dis-

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[5] See generally, 31 C.J.S., Estoppel, §§ 10, 21–35, 59–64; compare, "Estoppel by deed [legal estoppel] is distinguished from estoppel in pais in that it appears from the fact of the deed, and it does not require all of the elements of an estoppel in pais. [*Id.* at 297.]

"Estoppel by warranty is a species of estoppel by deed. It is an estoppel based on the principle of giving effect to the manifest intention of the grantor appearing on the deed, as to the land or estate to be conveyed, and of preventing the grantor from derogating from or destroying his own grant by any subsequent act." [*Id.* at 297.]

posses his assignee of the full benefit of what he purchased. *Faulks* v. *Kamp* (C.C.) 3 Fed. 898; *Curran* v. *Burdsall,* (D.C.) 20 Fed. 835.

The estoppel applied by the court in this case was not estopped in pais but rather in the nature of a legal estoppel. The court intended to prevent plaintiff from derogating from his own grant by his subsequent acts. Thus, this case is not distinguishable since neither it nor the instant case contain any misrepresentation. Both cases turn on the manifest intention of the parties' agreement.

In *Curran* v. *Burdsall* (D.C.) 20 Fed. 835 (1883) basically the same facts were present. Plaintiff assigned all "right, title and interest in and to said patents" to defendant, and then sought to restrain defendant from using the subject of those patents (lumber driers) as an infringement of prior patents which plaintiff obtained subsequent to the assignment. The court dismissed plaintiff's bill, saying [*Id.* at 837]:

> Complainant Curran, having set forth in his patent No. 189,432 the curtain suspended from the ceiling, is now estopped from defeating the right of defendant to construct lumberdriers in accordance with the terms of the patent by the purchase of the older patent of Johnson and Sumner. Curran has held himself out to the world as the inventor of this peculiar curtain device, and it would be grossly unjust and inequitable to allow him to defeat his assignee's rights to the full enjoyment of this patent by acquiring the ownership of this older patent, even if the older patent clearly anticipated the Curran device.

The implied license doctrine has also been applied in fact situations analogous to the after-acquired patent situation.

In *Scovill Mfg. Co.* v. *Radio Corp. of America,* 9 F. Supp. 239, 24 USPQ 440 (S.D. N.Y. 1935) the owner of a combination patent was sued for infringement by the owner of a patent covering a subcombination used in the construction of defendant's combination. The patents covering the combination and the subcombination were originally issued to the same individual who subsequently assigned the former to one party (predecessor of defendant) and the latter to a different party (predecessor of plaintiff). In deciding that the owner of the combination patent had an implied license to use the patented subcombination part as an element in construction of the combination, the District Court found an implied license, and pointed out that otherwise the definable property right which had been granted "would be useless to the grantee." [9 F. Supp. at 241].

In *Frederick B. Stevens, Inc.* v. *Steel & Tubes, Inc.,* 114 F. 2d 815, 47 USPQ 323 (6th Cir. 1940) the court applied the implied license doctrine to the situation where the licensor-plaintiff filed for and received a second patent which described a part of a paint-spraying machine previously patented to plaintiff, and expressly licensed to defendant. Plaintiff brought suit for infringement of the second patent under which defendant was not licensed. The court held that defendant had an implied license under the second patent and plaintiff "could not impose an obstacle to the use of a machine which had been bought and paid for." [114 F. 2d at

818]. Although the court did not use the language of estoppel but only that of implied license, it is obvious that it was utilizing basically the same rationale we have discussed above. The court concluded by saying [*Id.* at 819-820]:

> There is ample authority for the rule that where the owner of a patent grants to a licensee the right to use a patented machine, the grant carries with it, by necessary implication, a license under any other patent of the licensor which would be infringed by operation under the grant.

These cases demonstrate that the doctrine of implied license does not rest on a theory of estoppel in pais, but rather on a rationale of legal estoppel. This latter term is merely shorthand for saying that a grantor of a property right or interest cannot derogate from the right granted by his own subsequent acts. Thus, plaintiff is wrong in asserting that these cases are distinguishable. The doctrine established in these cases applies squarely to the problem here.

It is not enough, however, to demonstrate that estoppel in pais is not a prerequisite for implying a license by law. It is also necessary to define the property right granted to defendant by plaintiff, and also to show how plaintiff is attempting to derogate or detract from that right.

In the case before us, plaintiff granted to the Government "an irrevocable, nonexclusive, nontransferable and royalty-free license to practice, and cause to be practiced for the Government throughout the world each Subject Invention in the manufacture, use, and

disposition according to law, of any article or material, and in the use of any method; * * *" (Art. 38(b) of contract). Article 38(a)(i) of the contract defines specifically the nature of a Subject Invention: "The term 'Subject Invention' means any invention, improvement or discovery (whether or not patentable) * * *."

The facet of this licensing agreement which is of crucial importance and which plaintiff ignores is that it licenses the Government to use an *idea* and not just the Byrem Patent itself. The Subject Invention may be practiced by or for the Government throughout the world "whether or not patentable." Art. 38(a)(i). Thus the license was to practice or cause to be practiced an idea regardless of its patentability. It is the idea embodied by the Byrem tool, which also happens to be patented, that was licensed to the Government. Relying on this license, the Government caused to be practiced this invention conceived of by plaintiff's employee, G. H. Byrem. The tools which allegedly infringe the patent in suit were *identical in structure to the Byrem tool.*[6] The Government only did what it was licensed to do, no more and no less. Consequently, plaintiff is estopped from denying the Government the use of this tool. Plaintiff cannot negate the license it granted, and for which it received valuable consideration. Whatever rights third parties may have had against the Government are irrelevant to plaintiff's case since plaintiff licensed its rights to defendant, whereas other parties did not.

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[6] Commissioner Davis' finding of fact No. 7 states that "defendant acquired from sources other than the plaintiff 26,000 wire-splicing tools made as shown and described in Byrem Patent 2,722,146."

Plaintiff is also wrong in stating that the consideration paid is only for the research and development of the Byrem tool. This argument, in effect, asks us to overlook one part of the contract. It is elementary that money paid by one party pursuant to a contract is consideration for performance of *all* the terms of the contract, and not just some of the terms. Since the Government paid valuable consideration for all the rights and privileges contained in the contract, plaintiff, as party to that contract, cannot derogate from those rights, which is in effect, what it is trying to do. Based on the authority cited above, we hold that an implied license under the Vinson Patent arises by operation of law running in favor of the Government in order to protect the specific rights granted to the Government by contract.

II

We must next consider the argument so strenuously urged by plaintiff, *viz.*, that the contract precludes an implied license by its very terms. Plaintiff specifically points to the language of Article 38(b) which states:

> * * * Nothing contained in this paragraph shall be deemed to grant any license under any invention other than a Subject Invention. * * *

Plaintiff argues that after-acquired patents (*i.e.*, patents acquired after termination of the contract) are the only patents which fall into this clause. Unless the clause is so construed, it has no meaning whatsoever.

We agree with plaintiff that it is a cardinal principle of construction of contracts that all parts of the

writing, and every word in it, will, if possible, be given effect. *Henry J. Kaiser Co. et al.* v. *McLouth Steel Corp.*, 175 F. Supp. 743 (E.D. Mich. S.D. 1959), *aff'd*, 277 F. 2d 458 (6th Cir. 1960). But it is also a cardinal rule that the parties' intent must be gathered from the instrument as a whole. *International Arms & Fuze Co.* v. *United States*, 73 Ct. Cl. 231 (1931). Thus, in order to understand the above cited language, we must look to the whole thrust and purpose of Article 38. The primary expressed purpose of this Article is found in the first part of paragraph (b) of the Article which states: "The Contractor agrees to and does hereby grant to the Government an irrevocable, nonexclusive, nontransferable and royalty-free license to practice, and cause to be practiced for the Government throughout the world, each Subject Invention in the manufacture, use and disposition according to law, of any article or material, and in the use of any method; * * *." As we pointed out earlier, the royalty-free license is not to practice a specific patent, but to practice an idea. The latter part of paragraph (b) of Article 38 is actually in harmony with this intention of the parties in that it states that nothing shall be deemed to grant any license under any invention "other than a Subject Invention." The wire-splicing tool which the Government had caused to be practiced was the identical tool licensed under the contract; in other words, it embodied the Subject Invention. In order to protect the Government's right to practice the Subject Invention, the law implies a license under the Vinson Patent to go along with the express license under the Byrem Patent. But both licenses cover the same tool. The

language of Article 38(b) relied on by plaintiff does not preclude such a result since it refers only to inventions *other* than the Subject Invention. It is only intended to exclude subject matter of substantially different nature. *Cf., Green et al.* v. *Aerosol Research Co.*, 374 F. 2d 791, 152 USPQ 657 (7th Cir. 1967). Thus, the language does have meaning, and it does harmonize with the whole of Article 38.

Plaintiff also relies on the language of Article 38(i) to lend credence to its interpretation:

> * * * the Contractor hereby grants to the Government, under any patents now or hereafter issued with respect to which the Contractor now has, or prior to completion or final settlement of the contract may acquire * * *.

Plaintiff contends that this clause limits defendant's rights in patents to those acquired during the contract period, and since the Vinson Patent was acquired after the completion of the contract, no license under the Vinson Patent was intended to be granted. There are two reasons why this contention cannot be accepted. First, the clause does not actually prohibit a license under an after-acquired patent. On this issue the clause is silent. Second, the clause is specifically dealing with rights granted to defendant "in addition to the rights granted to the Government in the foregoing paragraphs of this clause [Art. 38(b)] * * *." By its very terms, then, this paragraph does not derogate from the right to practice the Subject Invention granted by Article 38(b) of the contract.

Thus the two paragraphs of Article 38 relied on by plaintiff do not demonstrate any intent to preclude an

implied license arising by operation of law to protect the Subject Invention. The case of *Eastern Rotorcraft Corp.* v. *United States,* Ct. Cl. No. 14-63, decided October 13, 1967, does not add any support to plaintiff's position because in that case the contract expressly stated that the Government does not obtain a license either "directly or by implication" to inventions made outside the contract. In addition, the Government there was actually aware of the dominating patent at the time it entered into the contract. In the instant case, implied licenses were not expressly precluded nor was the dominating patent known to either of the contracting parties. So although it is true that the granting of licenses is generally a matter of negotiation, *Eastern Rotorcraft Corp., supra,* there are a few instances when the law will do what negotiation did not explicitly do, but must have intended to do. This must be so for the reason succinctly stated in the *United Printing Machinery Co.* case, *supra,* 220 Fed. at 324:

> I find no equity in a bill in which the complainant seeks substantially to keep what it has sold, and to prevent the defendant from having what it has bought.

We therefore find that plaintiff granted to the Government under Article 38 of the contract the right to practice and have practiced the idea embodied by the wire-splicing device in question. For this reason, and on the basis of the authority cited, we hold that defendant is licensed by implication under the dominant Vinson Patent. Consequently, plaintiff's petition is dismissed.

DAVIS, *Judge*, concurring:

I place my vote for the defendant on the express license granted it by this contract to practice the invention, and would defer handling the porcupine problem of an implied license. The agreement expressly authorizes the Government "to practice, and cause to be practiced for the Government throughout the world, each Subject Invention," and then goes on to define "Subject Invention," as "any invention, improvement or discovery (whether or not patentable) conceived or first actually reduced to practice * * * in the performance of the experimental, developmental or research work called for under this contract * * *." As the court points out, this definition is not linked to a particular patent or patents but, rather, refers to "any invention, improvement or discovery (whether or not patentable)"—to ideas or conceptions, not to patents. The agreement is thus broader than licenses which are explicitly tied to specified patents (as distinguished from discoveries or inventions) and should therefore not be read as if "Subject Invention" meant only the Byrem patent or some other patent resulting from the contract work. For the reasons given by Judge Durfee, the articles bought by the defendant clearly embodied a "Subject Invention" under this contract—if that term is understood as relating to ideas, conceptions, or inventions, and not to the Byrem or any other patent—and in my view were expressly licensed for use by or for the United States as against any patent held by this plaintiff, no matter when or how acquired. I believe too, substantially for the reasons stated in Part II of Judge Durfee's opinion, that the license

provisions of the contract as a whole support, and do not negate, this interpretation of "Subject Invention" and of the express license granted the Government. Even if Mr. Byrem's discovery could not validly be patented because anticipated by the Vinson patent, the company agreed that, so far as it was concerned, the United States could utilize that idea, wholly free of liability, because it was conceived and reduced to practice in the performance of the contract. The Byrem idea did not change its character or birthright or become different when the plaintiff acquired the Vinson patent which happened to embody the same conception; the idea, as such, remained free to the Government, as against plaintiff, whether it was incorporated in one patent (Byrem) or two patents (Byrem and Vinson) or ten patents.[1]

FINDINGS OF FACT*

The court, having considered the evidence, the report of Trial Commissioner James F. Davis, and the briefs and argument of counsel, makes findings of fact as follows:

1. This is a patent suit arising under Title 28 U.S.C. § 1498. Plaintiff seeks reasonable and entire compensation for unauthorized use or manufacture by

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[1] I would invoke the theory of the implied license cases, such as *United Printing Machinery Co.* v. *Cross Paper Feeder Co.*, 220 Fed. 322 (D. Mass. 1915), only as one basis for reading "Subject Invention" in this contract to cover the idea, conception or invention incorporated into the Byrem patent, not the Byrem patent itself or alone. See, also, *Mine Safety Appliances Co.* v. *United States*, 176 Ct. Cl. 777, 789–90, 364 F. 2d 385, 392 (1966).

* Although we do not accept the Commissioner's recommended conclusion of law, we do accept his findings of fact with slight modification.

or for defendant, the United States, of an article of manufacture disclosed and claimed in claims 4, 5, 7, and 10 of U.S. Patent 2,612,932, entitled "Sleeve Compressing Tool," issued to W. A. Vinson on October 7, 1952, on an application filed September 9, 1946. Plaintiff is owner of all right, title, and interest in the Vinson patent by reason of documents of assignment dated November 4, 1953, duly recorded in the U.S. Patent Office.

2. Plaintiff AMP Incorporated (formerly Aircraft-Marine Products, Inc.) is a corporation of New Jersey, having a principal place of business at Harrisburg, Pennsylvania.

3. The sole issue before the court is whether defendant is licensed under the patent in suit. The parties have agreed to defer trial on the issues of patent validity, infringement, and amount of reasonable and entire compensation, if any, until resolution of the license issue. The parties have stipulated all facts relating to the license issue.

4. Plaintiff and defendant entered into a research and development contract No. DA-36-039-sc-168, dated May 27, 1950, under which plaintiff was to develop for the Army a crimping tool for splicing electrical wires. The contract contained the following:

ARTICLE 38 PATENT RIGHTS

(a) As used in this clause, the following terms shall have the meanings set forth below:

(i) The term "Subject Invention" means any invention, improvement or discovery (whether or

not patentable) conceived or first actually reduced to practice either (A) in the performance of the experimental, developmental or research work called for under this contract, or (B) in the performance of any experimental, developmental or research work relating to the subject matter of this contract which was done upon the understanding that a contract would be awarded.

* * * * *

(b) The Contractor agrees to and does hereby grant to the Government an irrevocable, nonexclusive, nontransferable and royalty-free license to practice, and cause to be practiced for the Government throughout the world, each Subject Invention in the manufacture, use, and disposition according to law, of any article or material, and in the use of any method; *provided*, however, that with respect to (i) any Subject Invention made by other than Technical Personnel, (ii) any Subject Invention conceived prior to any performance of this contract as set forth in paragraph (a) above but first actually reduced to practice in the course of any such performance, and (iii) the practice of any Subject Invention in foreign countries, the said license and other rights hereinafter provided shall be to the extent of the Contractor's right to grant the same without incurring any obligation to pay royalties or other compensation to others solely on account of said grant. Nothing contained in this paragraph shall be deemed to grant any license under any invention other than a Subject Invention. Any license granted herein shall not convey any right to the Government to manufacture, have manufactured, or use any Subject Invention for the purpose of providing services or supplies to the general public in competition with

the Contractor or the Contractor's commerical licensees in the licensed fields.

* * * * *

(i) In addition to the rights granted to the Government in the foregoing paragraphs of this clause, the Contractor hereby grants to the Government, under any patents now or hereafter issued with respect to which the Contractor now has, or prior to completion or final settlement of the contract may acquire, the right to grant licenses without becoming liable to pay compensation to others because of such grant, the right to reproduce or to have reproduced articles or materials substantially the same as those delivered to the Government hereunder, and any modifications or improvements thereof, and to practice or cause to be practiced processes developed in the performance of this contract, and to use in their entirety and dispose of in accordance with law articles or materials so reproduced. The acceptance or exercise by the Government of the aforesaid right shall not prevent the Government at any time from contesting the enforceability, validity or scope of, or title to, any patent under which a right is granted by this paragraph. Any rights granted to the Government by this paragraph shall not convey any right to the Government to reproduce or have reproduced any article or material, or to practice or cause to be practiced any process, for the purpose of providing services or supplies to the general public in competition with the Contractor or the Contractor's commercial licensee in the licensed fields. This paragraph shall not be required to be included in any subcontracts hereunder.

* * * * *

5. In performance of the contract, G. H. Byrem, an employee of plaintiff, conceived and reduced to practice a crimping tool for wire splicing. A patent application, describing and claiming such tool, was filed August 25, 1952, and U.S. Patent 2,722,146 was duly issued thereon November 1, 1955. Byrem assigned all rights to the invention to plaintiff who executed a confirmatory license to defendant on September 11, 1953, as required by Article 38 of the aforementioned contract.

6. Between May 27, 1950, the date of the contract, and June 5, 1953, plaintiff shipped to defendant 60 wire splicing tools in partial performance of the contract. On June 5, 1953, plaintiff shipped to defendant 10 models of a wire splicing tool conforming to the disclosure of the Byrem patent application. Such shipment completed performance of the contract and plaintiff received full payment thereunder from defendant.

7. Within six years preceding the filing of this suit, defendant acquired from sources other than the plaintiff 26,000 wire splicing tools made as shown and described in Byrem patent 2,722,146.

8. On November 4, 1953, plaintiff acquired the Vinson patent, the patent in suit, following prior art searches made at plaintiff's direction and reported to plaintiff in letters dated February 28, 1953 and August 26, 1953.

9. Plaintiff considered several claims of the Vinson patent broad enough to cover the tool disclosed in the Byrem patent application.

10. As early as August 30, 1957, plaintiff put several prospective bidders of defendant on notice that purchase of tools like those noted in finding No. 7 was deemed an infringement of the Vinson patent. By letters dated May 13, 1960 and March 30, 1964, plaintiff asserted a claim for full compensation by the Department of Defense for alleged infringement of the patent in suit. Plaintiff's claim was denied.

Conclusion of Law

Upon the foregoing findings of fact, the court concludes that defendant is licensed by implication under the dominant Vinson Patent. Therefore, plaintiff's petition is dismissed.

Appendix C

CONTRACT IN SUIT

Article 38 Patent Rights

(a) As used in this clause, the following terms shall have the meanings set forth below:

(i) The term "Subject Invention" means any invention, improvement or discovery (whether or not patentable) conceived or first actually reduced to practice either (A) in the performance of the experimental, developmental or research work called for under this contract, or (B) in the performance of any experimental, developmental or research work relating to the subject matter of this contract which was done upon the understanding that a contract would be awarded.

(ii) The term "Technical Personnel" means any person employed by or working under contract with the Contractor (other than a subcontractor whose responsibilities with respect to rights accruing to the Government in inventions arising under subcontracts are set forth in paragraphs (f), (g) and (h) of this clause), provided that such person, by reason of the nature of his duties in connection with the performance of this contract, would reasonably be expected to make inventions.

(iii) The terms "subcontract" and "subcontractor" mean any subcontract or subcontractor of the contractor, and any lower-tier subcontract or subcontractor under this contract.

(b) The Contractor agrees to and does hereby grant to the Government an irrevocable, nonexclusive, nontransferable and royalty-free license to practice, and cause to be practiced for the Governments throughout the world, each Subject Invention in the manufacture,

use, and disposition according to law, of any article or material, and in the use of any method; *provided,* however, that with respect to (i) any Subject Invention made by other than Technical Personnel, (ii) any Subject Invention conceived prior to any performance of this contract as set forth in paragraph (a) above but first actually reduced to practice in the course of any such performance, and (iii) the practice of any Subject Invention in foreign countries, the said license and other rights hereinafter provided shall be to the extent of the Contractor's right to grant the same without incurring any obligation to pay royalties or other compensation to others solely on account of said grant. Nothing contained in this paragraph shall be deemed to grant any license under any invention other than a Subject Invention. Any license granted herein shall not convey any right to the Government to manufacture, have manufactured, or use any Subject Invention for the purpose of providing services or supplies to the general public in competition with the Contractor or the Contractor's commercial licensees in the licensed fields.

(c) The Contractor agrees as follows: (i) to make written disclosure promptly to the Contracting Officer of each Subject Invention which reasonably appears to be patentable and to exert all reasonable effort to make such disclosure not later than six months after first publication, public use or sale; (ii) to specify, at the time of such disclosure, whether or not said Subject Invention has been or will be claimed in a United States patent application and unless it thereafter notifies the Government to the contrary not later than eight

months after first publication, public use or sale, to file or cause to be filed in due form and time a United States patent application covering each Subject Invention so specified; (iii) to the extent of the Contractor's right to do so, to deliver to the Contracting Officer such duly executed instrnments (prepared by the Government) of assignment, application papers and rightful oaths as are necessary to vest in the Government the sole and exclusive ownership, and the right to apply for and prosecute patent applications covering, each Subject Invention which the Contractor does not specify as aforesaid (or having so specified, thereafter notifies the Government to the contrary), subject, however, to the reservation of a nonexclusive and royalty-free license thereunder to the Contractor (and to its associated and affiliated companies, if any, within the corporate structure of which the Contractor is a part), which license shall be assignable to the successor of that part of the Contractor's business to which it pertains; (iv) to furnish promptly to the Contracting Officer on request an irrevocable power of attorney to inspect and make copies of each United States patent application as filed by or on behalf of the Contractor covering any Subject Invention; (v) in the event the Contractor elects not to continue prosecution of any such United States patent application filed by the Contractor, to so notify the Contracting Officer not less than sixty days before the expiration of the response period, and upon written request, to deliver to the Contracting Officer, to the extent of the Contractor's right to do so, a duly executed assignment to the Government of the entire rights to such patent applica-

tion and any Subject Invention claimed therein subject to a reservation as specified in (iii) above; and (vi) to deliver to the Contracting Officer duly executed instruments fully confirmatory of any license rights herein agreed to be granted to the Government. If, to the best of the Contractor's knowledge and belief, no inventions have been conceived or first actually reduced to practice under this contract, the Contractor shall so certify to the Contracting Officer.

(d) The Contractor agrees to and does hereby grant to the Government, to the full extent of the Contractor's right to do so without payment of compensation to others, the right to reproduce, use and disclose for governmental purposes (including the right to give to foreign governments for their use as the national interest of the United States may demand) all or any part of the reports, drawings, blueprints, data and technical information specified to be delivered by the Contractor to the Government under this contract; *provided,* however, that nothing contained in this paragraph shall be deemed, directly or by implication, to grant any license under any patent now or hereafter issued or to grant any right to reproduce anything else called for by this contract.

(e) Until the Contractor has delivered to the Government the disclosures required by paragraph (c)(i) of this clause and the information as to any subcontractor required by paragraph (g) of this clause, there shall be withheld from final payment under this contract ten percent (10%) of the contract price, or $5,000, whichever is smaller; *provided,* however, that the

withholding of the aforesaid amount, or subsequent payment thereof to the Contractor, shall not be construed as a waiver of any rights accruing to the Government under this contract; and *provided* further, that any amount so withheld under this paragraph shall not be in addition to any amounts withheld under other provisions of this contract. This paragraph shall not be construed as requiring the Contractor to withhold any amounts from a subcontractor to enforce compliance with the patent provisions of a subcontract.

(f) The Contractor agrees to exert all reasonable effort to negotiate for the inclusion in any subcontract hereunder of $3,000 or more, in which payment is to be made for experimental, developmental or research work, of this patent rights clause or one approved by the Contracting Officer. In the event of refusal by a subcontractor to accept such patent rights clause, the Contractor shall obtain the written authorization of the Contracting Officer (which authorization may be granted with respect to a particular subcontract) to proceed with the subcontract, and shall cooperate with the Government in the negotiation with such subcontractor of a mutually acceptable patent rights clause; *provided* however, that the Contractor shall in any event require the subcontractor to grant to the Government patent rights under Subject Inventions of no less scope and on no less favorable terms than those which the Contractor has under such subcontracts, except that in no event shall the subcontractor be required to grant to the Government patent rights in excess of those herein agreed to be granted to the Government by the Contractor.

(g) The Contractor agrees to notify the Contracting Officer in writing of any subcontract containing a patent rights clause, to furnish to the Contracting Officer a copy of such clause, and promptly to notify the Contracting Officer when such subcontract is completed. It is understood that with respect to such subcontract clause, the Government is a third party beneficiary; and the Contractor hereby assigns to the Government all the rights that the Contractor would have to enforce the obligations of the subcontractor with respect to Subject Inventions. The Contractor shall not be obligated to enforce the agreements of any subcontractor hereunder relating to a patent rights clause in any subcontract.

(h) When the Contractor shows that it has been delayed in the performance of this contract by reason of its inability to obtain, under terms that include a suitable patent rights clause, a qualified subcontractor for any particular part, item or function of this contract for which the Contractor itself does not have available facilities or qualified personnel, the Contractor's delivery dates shall be extended for a period of time equal to the duration of such delay; and, upon request of the Contractor, the Contracting Officer shall determine to what extent, if any, an additional extension of the delivery dates, and an increase in contract price based upon additional costs incurred, are proper under the circumstances; and the contract shall be modified accordingly. If the Contractor, after exerting all reasonable effort, is unable to obtain a qualified subcontractor as set forth above, the Contractor may submit to the Contracting Officer a written request for

waiver or modification of the requirement that a suitable patent rights clause be included in the subcontract. Such request shall specifically state that the Contractor has used all reasonable efforts to obtain such qualified subcontractor and shall cite the waiver or termination provision hereinafter set forth. If, within thirty-five (35) days after the date of receipt of such request for a waiver or modification of said requirement, the Contracting Officer shall fail to grant such request, the requirement shall be deemed to have been waived by the Government. If within such period the Contractor shall receive a written denial of such request by the Contracting Officer, this contract shall thereupon automatically terminate and the rights and obligations of the parties shall be governed by the provisions of the clause of this contract entitled "Termination for the Convenience of the Government" just as if a notice of termination had been delivered to the Contractor specifying that the contract was terminated for the convenience of the Government.

(i) In addition to the rights granted to the Government in the foregoing paragraphs of this clause, the Contractor hereby grants to the Government, under any patents now or hereafter issued [with respect to which the Contractor now has], or [prior to completion or final settlement of the contract may acquire], the right to grant licenses without becoming liable to pay compensation to others because of such grant, the right to reproduce or to have reproduced articles or materials substantially the same as those delivered to the Government hereunder, and any modifications or improvements thereof, and to practice or cause to be

practiced processes developed in the performance of this contract, and to use in their entirety and dispose of in accordance with law articles or materials so reproduced. The acceptance or exercise by the Government of the aforesaid right shall not prevent the Government at any time from contesting the enforceability, validity or scope of, or title to, any patent under which a right is granted by this paragraph. Any rights granted to the Government by this paragraph shall not convey any right to the Government to reproduce or have reproduced any article or material, or to practice or cause to be practiced any process, for the purpose of providing services or supplies to the general public in competition with the Contractor or the Contractor's commercial licensee in the licensed fields. This paragraph shall not be required to be included in any subcontracts hereunder.

SECTION IX

PATENTS AND COPYRIGHTS

9-001 EFFECTIVE DATE OF SECTION. This section shall be complied with on and after 1 July 1949; and the contract clauses set forth in this section shall be inserted, whenever applicable, in all contracts executed as of a date on or after 1 July 1949. Compliance with this section, and use of the contract clauses set forth herein, is authorized from the date of issuance.

PART 1—PATENTS

9-100 SCOPE OF PART. This part sets forth the policy of the Departments in connection with patents and related matters, and prescribes contract clauses for the purposes of protecting the Government against patent risks in supply contracts and securing to the Government the patent rights to which it is entitled under research or development contracts.

9-101 DEFINITIONS. As used in this part, the following terms have the meanings set forth below, irrespective of the type or form of contract, the method of contracting, or the source of funds obligated thereby:

9-101.1 Research or Development Contract. The term "research or development contract" means any contract under which payment is to be made for experimental, developmental or research work.

9-101.2 Supply Contract. The term "supply contract" means any contract for supplies as defined in paragraph 1-201.8 of this regulation, but does not in-

clude any research or development contract as defined in paragraph 9-101.1.

9-101.3 Foreground Patent. The term "foreground patent" means a patent based upon inventions, improvements or discoveries conceived or first actually reduced to practice in the course of performing a research or development contract, or in the course of performing any prior experimental, developmental or research work done upon the understanding that a contract would be awarded.

9-101.4 Background Patent. The term "background patent" means a patent, other than a foreground patent, based upon inventions which relate specifically to the manufacture, construction or use of the subject matter of the contract and under which the contractor has acquired, or prior to completion or final settlement of the contract may acquire, the right to grant a license without obligation to pay compensation to others solely on account of such grant.

* * * * *

9-107 PATENT RIGHTS UNDER RESEARCH OR DEVELOPMENT CONTRACTS.

9-107.1 License Under Foreground Patents. Under any research or development contract, the Government should receive at least a royalty-free license to practice or have practiced any invention conceived or first actually reduced to practice in the course of performing the contract or in the course of performing any prior experimental, developmental or research work done upon the understanding that a contract would be awarded. In certain circumstances, however, as where (i) a contractor has spent large sums of money in

developing an invention to the point that its practicability has been established or has otherwise established its practicability as by engineering design, or (ii) the use of a basic material developed entirely outside of any Government contract is involved, it is proper to exclude any such invention or material from a general license to the Government or otherwise to negotiate with respect to the Government's rights in such invention or material. The contract cost or price should in no event be increased merely by reason of the inclusion of a Patent Rights clause. For the purposes of this paragraph, the following clause shall be included in all research or development contracts except as is provided in paragraph 9-107.2:

PATENT RIGHTS

(a) As used in this clause, the following terms shall have the meanings set forth below:

(i) The term "Subject Invention" means any invention, improvement or discovery (whether or not patentable) conceived or first actually reduced to practice either (A) in the performance of the experimental, developmental or research work called for under this contract, or (B) in the performance of any experimental, developmental or research work relating to the subject matter of this contract which was done upon the understanding that a contract would be awarded.

(ii) The term "Technical Personnel" means any person employed by or working under contract with the Contractor (other than a subcontractor whose responsibilities with respect to rights accruing to the Government in inven-

tions arising under subcontracts are set forth in paragraphs (f), (g) and (h) of this clause), provided that such person, by reason of the nature of his duties in connection with the performance of this contract, would reasonably be expected to make inventions.

(iii) The terms "subcontract" and "subcontractor" mean any subcontract or subcontractor of the contractor, and any lower-tier subcontract or subcontractor under this contract.

(b) The Contractor agrees to and does hereby grant to the Government an irrevocable, nonexclusive, nontransferable and royalty-free license to practice, and cause to be practiced for the Governments throughout the world, each Subject Invention in the manufacture, use, and disposition according to law, of any article or material, and in the use of any method; *provided,* however, that with respect to (i) any Subject Invention made by other than Technical Personnel, (ii) any Subject Invention conceived prior to any performance of this contract as set forth in paragraph (a) above but first actually reduced to practice in the course of any such performance, and (iii) the practice of any Subject Invention in foreign countries, the said license and other rights hereinafter provided shall be to the extent of the Contractor's right to grant the same without incurring any obligation to pay royalties or other compensation to others solely on account of said grant. Nothing contained in this paragraph shall be deemed to grant any license under any invention other than a Subject Invention. Any license granted herein shall not convey any right to the Government to manufacture, have manufactured, or use any Subject Invention for the purpose of

providing services or supplies to the general public in competition with the Contractor or the Contractor's commercial licensees in the licensed fields.

(c) The Contractor agrees as follows: (i) to make written disclosure promptly to the Contracting Officer of each Subject Invention which reasonably appears to be patentable and to exert all reasonable effort to make such disclosure not later than six months after first publication, public use or sale; (ii) to specify, at the time of such disclosure, whether or not said Subject Invention has been or will be claimed in a United States patent application and unless it thereafter notifies the Government to the contrary not later than eight months after first publication, public use or sale, to file or cause to be filed in due form and time a United States patent application covering each Subject Invention so specified; (iii) to the extent of the Contractor's right to do so, to deliver to the Contracting Officer such duly executed instruments (prepared by the Government) of assignment, application papers and rightful oaths as are necessary to vest in the Government the sole and exclusive ownership, and the right to apply for and prosecute patent applications covering, each Subject Invention which the Contractor does not specify as aforesaid (or having so specified, thereafter notifies the Government to the contrary), subject, however, to the reservation of a nonexclusive and royalty-free license thereunder to the Contractor (and to its associated and affiliated companies, if any, within the corporate structure of which the Contractor is a part), which license shall be assignable to the successor of that part of the Contractor's business to which it per-

tains; (iv) to furnish promptly to the Contracting Officer on request an irrevocable power of attorney to inspect and make copies of each United States patent application as filed by or on behalf of the Contractor covering any Subject Invention; (v) in the event the Contractor elects not to continue prosecution of any such United States patent application filed by the Contractor, to so notify the Contracting Officer not less than sixty days before the expiration of the response period, and upon written request, to deliver to the Contracting Officer, to the extent of the Contractor's right to do so, a duly executed assignment to the Government of the entire rights to such patent application and any Subject Invention claimed therein subject to a reservation as specified in (iii) above; and (vi) to deliver to the Contracting Officer duly executed instruments fully confirmatory of any license rights herein agreed to be granted to the Government. If, to the best of the Contractor's knowledge and belief, no inventions have been conceived or first actually reduced to practice under this contract, the Contractor shall so certify to the Contracting Officer.

(d) The Contractor agrees to and does hereby grant to the Government, to the full extent of the Contractor's right to do so without payment of compensation to others, the right to reproduce, use and disclose for governmental purposes (including the right to give to foreign governments for their use as the national interest of the United States may demand) all or any part of the reports, drawings, blueprints, data and technical information specified to be delivered by the Contractor to the Government under this contract; *provided,* however, that nothing contained in this

paragraph shall be deemed, directly or by implication, to grant any license under any patent now or hereafter issued or to grant any right to reproduce anything else called for by this contract.

(e) Until the Contractor has delivered to the Government the disclosures required by paragraph (c)(i) of this clause and the information as to any subcontractor required by paragraph (g) of this clause, there shall be withheld from final payment under this contract ten percent (10%) of the contract price, or $5,000, whichever is smaller; *provided* however, that the withholding of the aforesaid amount, or subsequent payment thereof to the Contractor, shall not be construed as a waiver of any rights accruing to the Government under this contract; and *provided* further, that any amounts so withheld under this paragraph shall not be in addition to any amounts withheld under other provisions of this contract. This paragraph shall not be construed as requiring the Contractor to withhold any amounts from a subcontractor to enforce compliance with the patent provisions of a subcontract.

(f) The Contractor agrees to exert all reasonable effort to negotiate for the inclusion in any subcontract hereunder of $3,000 or more, in which payment is to be made for experimental, developmental or research work, of this patent rights clause or one approved by the Contracting Officer. In the event of refusal by a subcontractor to accept such patent rights clause, the Contractor shall obtain the written authorization of the Contracting Officer (which authorization may be granted with respect to a particular subcontract) to proceed with the subcontract, and shall cooperate with the Government in the negotiation with such sub-

contractor of a mutually acceptable patent rights clause; *provided* however, that the Contractor shall in any event require the subcontractor to grant to the Government patent rights under Subject Inventions of no less scope and on no less favorable terms than those which the Contractor has under such subcontracts, except that in no event shall the subcontractor be required to grant to the Government patent rights in excess of those herein agreed to be granted to the Government by the Contractor.

(g) The Contractor agrees to notify the Contracting Officer in writing of any subcontract containing a patent rights clause, to furnish to the Contracting Officer a copy of such clause, and promptly to notify the Contracting Officer when such subcontract is completed. It is understood that with respect to such subcontract clause, the Government is a third party beneficiary; and the Contractor hereby assigns to the Government all the rights that the Contractor would have to enforce the obligations of the subcontractor with respect to Subject Inventions. The Contractor shall not be obligated to enforce the agreements of any subcontractor hereunder relating to a patent rights clause in any subcontract.

(h) When the Contractor shows that it has been delayed in the performance of this contract by reason of its inability to obtain, under terms that include a suitable patent rights clause, a qualified subcontractor for any particular part, item or function of this contract for which the Contractor itself does not have available facilities or qualified personnel, the Contractor's delivery dates shall be extended for a period of time equal to the duration of such delay; and, upon request of the Contractor,

the Contracting Officer shall determine to what extent, if any, an additional extension of the delivery dates, and an increase in contract price based upon additional costs incurred, are proper under the circumstances; and the contract shall be modified accordingly. If the Contractor, after exerting all reasonable effort, is unable to obtain a qualified subcontractor as set forth above, the Contractor may submit to the Contracting Officer a written request for waiver or modification of the requirement that a suitable patent rights clause be included in the subcontract. Such request shall specificially state that the Contractor has used all reasonable efforts to obtain such qualified subcontractor and shall cite the waiver or termination provision hereinafter set forth. If, within thirty-five (35) days after the date of receipt of such request for a waiver or modification of said requirement, the Contracting Officer shall fail to grant such request, the requirement shall be deemed to have been waived by the Government. If within such period the Contractor shall receive a written denial of such request by the Contracting Officer, this contract shall thereupon automatically terminate and the rights and obligations of the parties shall be governed by the provisions of the clause of this contract entitled "Termination for the Convenience of the Government" just as if a notice of termination had been delivered to the Contractor specifying that the contract was terminated for the convenience of the Government.

9-107.2 Title to Foreground Patents. Although with respect to foreground patents it is the policy of the Departments normally to acquire only license rights thereunder, nevertheless in some circumstances the Government should obtain full title to such patents,

subject in most cases to a license to the contractor. Ordinarily, however, in such circumstances there should be no increase in the contract cost or price, merely because the Government acquires title.

Examples of instances where it is proper and desirable for the Government to acquire title are as follows:

(a) where the contractor does not normally seek patent protection for its development projects;

(b) where one contractor has assembled a group of research scientists through the cooperation of other similar firms, institutions or organizations;

(c) where the contractor, in completing a final phase of a development project, utilizes the work of other cooperating persons, institutions or organizations, and it would be unfair to such other persons, institutions or oganizations to allow the contractor to retain title to inventions resulting from such developments;

(d) where the major portion of the work under the contract is to be done in Government-operated laboratories and with Government-furnished equipment;

(e) where the contractor is an organization, the principal business of which is doing research or development work for the public, and which does not customarily retain patent rights under inventions made by it in the research or development work conducted for others, *provided* that the contractor may be permitted to retain title in such case (subject to a license to the Government as set forth in paragraph 9-107.1) if proper adjustment therefor is made in the contract cost or price;

(f) where the Contracting Officer ascertains that title to foreground patents is necessary for military security and so notifies the contractor prior to its beginning performance.

When it is desirable, as set forth above, for the Government to acquire title to foreground patents, the following paragraphs (a), (b) and (c) shall be substituted for the corresponding paragraphs of the Patent Rights clause set forth in paragraph 9-107.1:

"(a) As used in this clause, the following terms shall have the meanings set forth below:

(i) The term "Subject Invention" means any invention, improvement or discovery (whether or not patentable) conceived or first actually reduced to practice (unless disclosed in a patent application filed prior to beginning the performances hereinafter set forth) either (A) in the performance of the experimental, developmental or research work called for under this contract, or (B) in the performance of any experimental, developmental or research work relating to the subject matter of this contract which was done upon the understanding that a contract would be awarded.

(ii) The term "Technical Personnel" means any person employed by or working under contract with the Contractor (other than a subcontractor whose responsibilities with respect to rights accruing to the Government in inventions arising under subcontracts are set forth in paragraphs (f), (g) and (h) of this clause), provided that such person, by reason of the nature of his duties in connection with the performance of this contract, would reasonably be expected to make inventions.

(iii) The terms "subcontract" and "subcontractor" mean any subcontract or subcontractor of the contractor, and any lower-tier subcontract or subcontractor under this contract.

(b) The Contractor agrees to and does hereby grant to the Government all right, title and interest in and to each Subject Invention subject to the reservation of a nonexclusive and royalty-free license to the Contractor to practice any such invention; *provided,* however, that with respect to any Subject Invention made by other than Technical Personnel and with respect to the practice of any Subject Invention in foreign countries, said grant and other rights hereinafter provided shall be limited to the Contractor's right to assign or grant the same without incurring any obligation to pay royalties or other compensation to others solely on account of said grant. The Contractor further agrees to and does hereby grant to the Government with respect to any invention disclosed in a patent application of the Contractor filed prior to beginning the performances set forth above and first actually reduced to practice by the Contractor in any such performance, an irrevocable, nonexclusive, nontransferable and royalty-free license to practice, and cause to be practiced for the Government throughout the world, each such invention in the manufacture, use, and disposition according to law, of any article or material, and in the use of any method; *provided,* however, that with respect to (i) any such invention made by other than Technical Personnel and (ii) the practice of any such invention in foreign countries, the said license shall be to the extent of the Contractor's right to grant the same without incurring any obligation to pay royalties or other compensation to others solely on account of said grant.

(c) The Contractor agrees as follows: (i) to make written disclosure promptly to the Contracting Officer of each Subject Invention, and of each invention under which a license is acquired pursuant to paragraph (b) above, which reasonably appears to be patentable, and to exert all reasonable effort to make such disclosure not later than six months after first publication, public use or sale; (ii) to deliver to the Contracting Officer such duly executed instruments (prepared by the Government) of assignment, application papers and rightful oaths relating to each Subject Invention, title to which vests in the Government pursuant to this clause, as the Contracting Officer may require to enable the Government to file and prosecute patent applications therefor in any country, and to assign and record title to such applications; (iii) to disclose to the Contracting Officer (either by giving the patent number or a copy of the patent application), prior to completion or final settlement of this contract, each invention under which the Government has been granted a license pursuant to the second sentence of paragraph (b) above, and to deliver to the Contracting Officer duly executed instruments fully confirmatory of such license rights. If, to the best of the Contractor's knowledge and belief, no inventions have been conceived or first actually reduced to practice under this contract, the Contractor shall so certify to the Contracting Officer."

9-107.3 Reproduction Rights Under Background Patents. The grant of a license or title to the Government under foreground patents, as hereinabove in this part set forth, does not give the Government a free right to practice such foreground patents if the con-

tractor owns or has control of a dominant background patent. It is therefore proper and desirable in the case of certain research or development contracts that the Government should obtain, under certain equitable circumstances as hereinafter set forth, a reproduction right (a limited license right) under such background patent or patents in addition to title or license under foreground patents as provided in paragraphs 9-107.1 and 9-107.2 above. Thus, reproduction rights should be obtained where there are benefits to the contractor, such as those set forth below, and where it is believed that the manufacture or use of the subject matter of the contract, or parts, modifications or improvements thereof, will involve the practice of inventions covered by contractor's background patents. The contract price should not be increased by reason of the acquisition of such repoduction rights. Representative equitable circumstances which should be taken into account by the Contracting Officer in this connection are as follows:

(a) a new research objective or idea, either new generally or new to the contractor's fields of activity, particularly when the Government furnishes the contractor with valuable technical information;

(b) aid to the contractor in conducting experimental, developmental or research work which the contractor would otherwise have to conduct at his own expense and which leaves the contractor with valuable commercial rights;

(c) opportunity for the contractor to explore fields too speculative to be undertaken commercially but which have commercial possibilities;

(d) aid to the contractor through the furnishing of the knowledge and experience of the Gov-

ernment or of scientific or technical personnel in connection with the work to be performed under the contract, together with substantial aid and assistance by such personnel, beyond that normally furnished in a research or development contract of the type involved;

(e) use of Government facilities for working upon or testing new developments in connection with the contract to a degree beyond that normally provided in a research or development contract of the type involved.

While the particular wording of a provision granting such rights to the Government is a matter of negotiation in each case, an approved paragraph for addition to the Patent Rights clause prescribed by paragraph 9-107.1 or 9-107.2, whichever is applicable, is as follows:

"(i) In addition to the rights granted to the Government in the foregoing paragraphs of this clause, the Contractor hereby grants to the Government, under any patents now or hereafter issued with respect to which the Contractor now has, or prior to completion or final settlement of the contract may acquire, the right to grant licenses without becoming liable to pay compensation to others because of such grant, the right to reproduce or to have reproduced articles or materials substantially the same as those delivered to the Government hereunder, and any modifications or improvements thereof, and to practice or cause to be practiced processes developed in the performance of this contract, and to use in their entirety and dispose of in accordance with law articles or materials so reproduced. The accept-

ance or exercise by the Government of the aforesaid right shall not prevent the Government at any time from contesting the enforceability, validity or scope of, or title, to, any patent under which a right is granted by this paragraph. Any rights granted to the Government by this paragraph shall not convey any right to the Government to reproduce or have reproduced any article or material, or to practice or cause to be practiced any process, for the purpose of providing services or supplies to the general public in competition with the Contractor or the Contractor's commercial licensee in the licensed fields. This paragraph shall not be required to be included in any subcontracts hereunder."

PATENTS, DATA, AND COPYRIGHTS

9-107.5 *Clauses for Domestic Contracts.*

(a) *Patent Rights (Title) Clause.* If the contracting officer has determined that the contract comes within 9-107.4(b) or (d), he shall include the following clause in the contract. This clause provides for the Government to acquire title in "Subject Inventions," subject to the contractor's retaining a royalty-free license in such inventions; however, the Government may permit the contractor, under certain circumstances, to acquire greater rights than the license.

PATENT RIGHTS (TITLE) (OCT. 1966)

(a) *Definitions Used in This Clause.*

(1) *Subject Invention* means any invention or discovery, whether or not patentable, conceived or first actually reduced to practice in the course of or under this contract. The term "Subject Invention" includes, but is not limited to, any art, method, process, machine, manufacture, design or composition of matter, or any new and useful improvement thereof, or any variety of plant, which is or may be patentable under the patent laws of the United States of America or any foreign country.

(2) *Governmental purpose* means the right of the Government of the United States (including any agency thereof, state or domestic municipal government) to practice and have practiced (make or have made, use or have used, sell or have sold) any Subject Invention

throughout the world by or on behalf of the Government of the United States.

(3) *Contract* means any contract, agreement, grant, or other arrangement, or subcontract entered into with or for the benefit of the Government where a purpose of the contract is the conduct of experimental, developmental, or research work.

(4) *Subcontract and subcontractor* means any subcontract or subcontractor of the Contractor, any lower-tier subcontract or subcontractor under this contract.

(5) *To bring to the point of practical application* means to manufacture in the case of a composition or product, to practice in the case of a process, or to operate in the case of a machine or system and, in each case, under such conditions as to establish that the invention is being worked and that its benefits are reasonably accessible to the public.

(b) *Rights Granted to the Government.* Except as provided in (e) and (h) of this clause, the Contractor agrees to grant the Government all right, title and interest in and to each Subject Invention (made by the Contractor), subject to the reservation of a nonexclusive and royalty-free license to the Contractor. The license shall extend to existing and future associated and affiliated companies, if any, within the corporate structure of which the Contractor is a part and shall be assignable to the successor of that part of the contractor's business to which such Invention pertains. Nothing contained in this Patent Rights clause shall be deemed to grant any rights with respect to any invention other than a Subject Invention.

(c) *Invention Disclosures and Reports.*

(1) With respect to Subject Inventions (made by the Contractor), except those which are obviously unpatentable under the patent laws of the United States, the Contractor shall furnish to the Contracting Officer:

(i) a written disclosure of each invention within six (6) months after conception or first actual reduction to practice, whichever occurs first under this contract, sufficiently complete in technical detail to convey to one skilled in the art to which the Invention pertains a clear understanding of the nature, purpose, operation, and to the extent known the physical, chemical, or electrical characteristics of the Invention; when unable to submit a complete disclosure, the Contractor shall within said six (6) month period submit a disclosure which includes all such technical detail then known to him and shall, unless the Contracting Officer authorizes a different period, submit all other technical detail necessary to complete the disclosure within three (3) months of the expiration of said six (6) month period.

Appendix F

12 August 1952

From: Armed Services Patent Policy Review Board

To: Secretary of the Army
Secretary of the Navy
Secretary of the Air Force

1. There is transmitted herewith Part "I" of the Report of the Patent Policy Review Board. This Part covers.

(a) Patent policy relating to the division of patent rights between the Government and the Armed Services contractors; and

(b) Patent policy relating to collateral matters not directly related to the division of patent rights.

2. Part "II" of the Report covering "patent policy relating to the division of patent rights as between the Armed Services and its employees" will be forwarded in the near future.

/s/ C. M. BOLSTER
REAR ADMIRAL C. M. BOLSTER (*Chairman*)

/s/ E. M. BRANNON
MAJOR GENERAL E. M. BRANNON

/s/ REGINALD C. HARMON
MAJOR GENERAL R. C. HARMON

RECOMMENDATION ON TITLE CLAUSES

In lines 3 and 4 of 9-107.2(a)(i) strike out parenthetical provision (unless disclosed in a patent application filed prior to beginning the performance hereinafter set forth).

In line 2, 9-107.b after the word "invention", insert (but excluding inventions upon which patent applications have been filed prior to the beginning of the performance under this contract).

In line 11, of same paragraph, before the word "invention", insert "subject".

In line 2 of 9-107.2(c), after the "comma", strike out "and of". Same paragraph, strike out all of line 3. Line 4, strike out "(b) above."

9-107.3 REPRODUCTION RIGHTS UNDER BACKGROUND PATENTS

This paragraph has probably been misconstrued, misinterpreted, and misunderstood more than any other paragraph in the Regulation.

The title is misleading when the term "reproduction rights" is read to mean the right to use proprietary information. "Reproduction rights" as used here, coupled with the term "background patents" meant a "license under contractor patents", other than "Subject Inventions", when the contractor's dominant patent disclosed an invention incorporated in the end product of the contract.

When licensed under a "subject invention" the Government is never required to pay for the use of the "subject invention". If it happens that the invention is utilized in a device or process which also utilizes an

invention disclosed in a dominant patent of the contractor, the Government does not, by virtue of the license under the "subject invention", also have a license under the dominant patent. This should be clear, for the granting clause of 107.1b states that such a license is not obtained.

The question of when the Government should obtain a royalty-free license under a dominant patent is another matter which has been discussed over the years and turning back again to the 1945 and 1947 Directives (Appendix I and J) the following will be determined.

The Department of the Navy included a clause giving it an option to obtain rights under other than "Subject Inventions". The Department of the Army was under the impression that there were certain instances when the Government might obtain rights under other than "Subject Inventions" without payment therefor. It pointed out what the instances were, and in the negotiations leading up to the preparation of Section IX all agreed that such instances do represent equitable circumstances under which the Government might be entitled to a free license. The circumstances are those which are now listed in 9-107.3(a) to (e).

APPENDIX B

ARMED SERVICES PATENT POLICY REVIEW BOARD

Submission of Recommendations

1. By authority of the Secretaries, there has been established a Patent Policy Review Board within the Departments of the Army, Navy, and Air Force. The

Board comprises the following members: Rear Admiral C. M. Bolster, USN, Chief of Naval Research (Chairman), Major General E. M. Brannon, USA, Judge Advocate General of the Army, and Major General R. C. Harrmon, USAF, Judge Advocate General of the Air Force.

2. The purpose of the Board is to review all phases of patent policy and matters relating thereto, and to make recommendations to the Secretaries as to what patent policy, or changes in present patent policy, are in the best interest of the national defense.

3. Opportunity is hereby extended to any and all persons, partnerships, corporations, associations, or other parties, to present to the Board such pertinent information, suggestions, views, or statements as they may desire to submit. Such information, suggestions, views or statements should be typewritten or printed (in quadruplicate) and sent to the Chairman of the Patent Policy Review Board, Office of Naval Research, Department of the Navy, Washington 25, D. C., not later than 15 January 1952. Those wishing to make an oral presentation should so indicate and within permissible time limits such presentations will be heard.

REAR ADM. C. M. BOLSTER, USN
Chief of Naval Research, Chairman

(F. R. Doc. 51-13765; Filed, Nov. 15, 1951; 8:45 a.m.)
(Federal Register Vol. 16, No. 253; Nov. 16, 1951)

Appendix G

Testimony of James P. Falvey, Deputy Assistant Secretary of Defense (Supply and Logistics); *Hearings Before the H.R. Subcomm. on Patents and Scientific Inventions of the Comm.* on Science and Astronautics, at 157-159 [1959]:

"The Department of Defense patent policy is set forth in the armed services procurement regulation (ASPR), especially in our patent clause. . . ."

* * * * *

"Historically, the patent policy of the Department of Defense was and is the result of operating experience of the Department and the military departments prior to the establishment of the Department of Defense. Section IX of the ASPR, which covers patent and copyright matters and technical data, was the first uniform statement of general policy on the subject that covered all military services. It was promulgated on July 1, 1949, and incorporated the principles which the military departments had found through their experience to be most workable and effective to meet their needs.

"There has been only one major revision to the patent policy of the Department of Defense as set forth in Section IX. This came about after exhaustive consideration by an Armed Services Patent Policy Review Board in 1952 and extensive review and coordination within the military departments, the ASPR Committee, industry, and special consultants. The revision was issued on January 4, 1955."

Appendix H

STATUTE INVOLVED

28 U.S.C. § 1255. COURT OF CLAIMS; CERTIORARI; CERTIFIED QUESTIONS

"Cases in the Court of Claims may be reviewed by the Supreme Court by the following methods:

"(1) By writ of certiorari granted on petition of the United States or the claimant. . . ."

Appendix I

U. S. CONST. AMEND. V

"No person shall be . . . deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use without just compensation."

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1967

No. 1338

AMP INCORPORATED, *Petitioner*

v.

THE UNITED STATES, *Respondent*

Brief Amicus Curiae of the Electronic Industries Association in support of Petition for a Writ of Certiorari

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PRESS OF BYRON S. ADAMS PRINTING, INC., WASHINGTON, D. C.

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AMP INCORPORATED, *Petitioner*

v.

THE UNITED STATES, *Respondent*

Brief Amicus Curiae of the Electronic Industries Association in support of Petition for a Writ of Certiorari

---

Pursuant to Rule 42 of the Rules of the Supreme Court of the United States, the Electronic Industries Association respectfully files this brief amicus curiae in support of the Petition for Certiorari filed in behalf of AMP Incorporated in the instant case. Both counsel for Petitioner, AMP Incorporated and counsel for Respondent, United States of America have given their consent to the filing of this brief.

INTEREST OF THE AMICUS CURIAE

The Electronic Industries Association (herein referred to as EIA) is composed of more than 300 member companies engaged in the manufacture of electronic equipment and components. It is the national association representing the fifth largest manufacturing industry in the United States, with gross annual sales in excess of $20 billion. The vast majority of its members are extensively engaged in contracting with the Department of Defense as prime contractors, subcontractors, or both. Major electronic companies, acting as prime contractors for a major weapons system or similar project, award literally thousands of subcontracts, to which the varied provisions of the Armed Services Procurement Regulations are applicable. In 1966 sales of electronic products in the United States Government market were in excess of $10 billion.

The decision of the Court of Claims primarily affects the rights which have accrued to the United States Government over approximately the past twenty years under its research and development contracts with industry. The electronic equipment and communications industry is second only to the aircraft and missiles industry in its expenditures in the area of research and development. In 1965 the electronics industry spent almost $2 billion for this purpose. Of this amount the United States Government furnished 66 per cent or $1.25 billion, while that industry furnished $650 million of its private funds for such purpose. During 1965 American industry as a whole spent in excess of $14 billion for research and development, 54.7 per cent, or about $7.8 billion being supplied by the Federal Government and 45.3 per cent, or about

$6.4 billion being paid for by private industry funds. The total amounts expended by the Government and by industry over the past twenty years obviously are of enormous magnitude,

In view of the above, as representative of members which have expended billions of their private funds in research and development, EIA is concerned over the effect of the Court of Claims' decision on the rights which may accrue to the United States Government with respect to the fruits of such private research and development and the inhibitions which such decision may create in private industry contracting to do research and development for the United States Government.

THE ISSUE

The specific issue is whether the grant by a contractor to the Government of a royalty-free license to practice a "Subject Invention", as that term is defined in (a)(i) of the contract clause provided for in paragraph 9-107.1 of ASPR, Section IX, effective as of July 1, 1949, also grants to the Government a royalty-free right to reproduce such "Subject Invention" under any dominant patent owned or controlled by the contractor.

(1) Court of Claims Ignored Public History of Contract Clause

The Court of Claims, in the decision below, based its holding that the Government had obtained a royalty-free license to reproduce the Subject Invention under the Petitioner's dominant Vinson patent on the ground that such a license is to be implied by a legal estoppel against the Petitioner from the license grant in Article

38(b) of the Petitioner's contract with the Government. Said Article 38(b) corresponds exactly to paragraph (b) of the Article prescribed by the July 1, 1949 ASPR 9-107.1. After quoting from the language of Article 38(b), the Court of Claims stated:

> "But it is also a cardinal rule that the parties' intent must be gathered from the instrument as a whole. International Arms & Fuze Co. v. United States, 73 Ct. Cl. 231 (1931). Thus, in order to understand the above cited language, we must look to the whole thrust and purpose of Article 38."

However, the Court failed to give effect to the extensive public history of the language of Article 38 which gives a "thrust and purpose" to it, which is the opposite to the meaning assigned to that article by the Court.

(2) History of Contract Clause Article 38

Appendix G to the Petitioner's Petition describes the origins of the July 1, 1949 ASPR IX and mentions the exhaustive consideration given to it by an Armed Services Patent Policy Review Board in 1952. One of the organizations which supplied statements to that Board was the Joint Electronics Industries Committee of which the Electronic Industries Association was then a part.

The review given to ASPR IX by the above Board was stimulated by a controversy between industry and Government procurement officers. The following description of that controversy, and of the evolution of the revision of ASPR IX which eventuated in the 1955 revision referred to by Mr. Falvey's testimony, is reported in the Fourth Annual Report of the Activities

of the Joint Committee on Defense Production and Controls (84th Congress, 1st Session) October 20, 1954:

> "Since its adoption in 1947 this regulation has been the source of considerable controversy between practically all segments of industry and procurement officers, due to certain provisions which contractors claim caused undue hardship financially as well as competitively by jeopardizing their market position.
>
> "One of the most general objections has been the claim that undue pressure was frequently applied by overzealous procurement officers in demanding free Government rights to proprietary or background patents beyond what was intended under the rules, particularly in the case of small businesses whose very existence frequently depends on participating in Government contracts. . . .
>
> "Under the new proposed regulation contracting officers are not expected to insist upon background patents when negotiating research and development contracts. Since this has been one of the principal objections to business, the elimination of this procedure should materially help to encourage industry toward much wider research in the interest of defense products. . . .
>
> "The fact remains, however, that only insofar as our Government establishes equitable policies and procedures in its patent dealings with industry as a whole, can it hope to create increasing initiative among individuals and industries. . . .
>
> "It is to this end that your committee urges the Department of Defense to bend every effort in its consideration of the solution of this important Government-industry problem that is already long overdue."

The controversy referred to above did not arise under ASPR 9-107.1 but rather under ASPR 9-107.3. As set

forth in Petitioner's Appendix F-2, the Review Board's Report of August 12, 1952 contains the following:

"9-107.3 Reproduction Rights Under Background Patents

"This paragraph has probably been misconstrued, misinterpreted, and misunderstood more than any other paragraph in the Regulation.

"The title is misleading when the term 'reproduction rights' is read to mean the right to use proprietary information. 'Reproduction rights' as used here, coupled with the term 'background patents' meant a 'license under contractor patents', other than 'Subject Inventions', when the contractor's dominant patent disclosed an invention incorporated in the end product of the contract."[1]

Since, however, the Court of Claims based its decision solely on the language of Article 38(b) the Petitioner in his Petition (page 7) properly points out that the Review Board made it clear that the grant under Article 38(b), corresponding to ASPR 9-107.1, not only does *not* grant, but specifically negates the grant of a license under a dominant patent of the contractor

[1] "Background Patent" is defined in the July 1, 1949 ASPR 9-101.4 as "a patent, other than a foreground patent, based upon inventions which relate specifically to the manufacture, construction or use of the subject matter of the contract and under which the contractor has acquired, or prior to completion or final settlement of the contract may acquire, the right to grant a license without obligation to pay compensation to others solely on account of such grant." The Vinson Patent is therefore not a background patent since it was acquired by the Petitioner after final settlement of the contract. However, it is a dominant patent over the Byrem patent. However, the Court of Claims made no distinction between "background patents" and "dominant patents" and based its decision solely on the interpretation of the grant in Article 38(b).

by the language—: "Nothing contained in this paragraph shall be deemed to grant any license under any invention other than a Subject Invention."

The July 1, 1949 ASPR IX itself makes the same point when it states under 9-107.3 (see Petitioner's Appendix D-13), "The grant of a license or title to the Government under foreground patents, as hereinabove in this part set forth, does not give the Government a free right to practice such foreground patents if the contractor owns or has control of a dominant background patent."

The controversy was resolved by the issuance dated January 3, 1955 of a revised form of ASPR IX. In a statement issued by the Department of Defense Office of Public Information, dated January 7, 1955[2] the Department of Defense stated that one of the principal changes was "the elimination of the requirements of ASPR 9-107.3 for the reproduction rights license under background patents . . .". However, the revised ASPR retained 9-107.1, including the clause corresponding to Article 38(a) and (b) of the Petitioner's contract, unchanged. Clearly, the Federal Government has consistently represented to industry that the granting clause of Article 38 never was intended to grant to the Government any rights whatsoever under any dominant patent whether such dominant patent was a "background patent" or a later acquired patent.

(3) The Court of Claims Decision, If Allowed To Stand, Will Adversely Affect Billions of Dollars of Private Rights

As pointed out above, industry has spent billions of dollars of its private funds to conduct research and development. For at least twenty years it has con-

[2] Exhibit A Annexed.

tracted with the Department of Defense with the assurance of that Department that the grant to the Government of a free license under "Subject Inventions" did not grant to the Government any rights to reproduce such Subject Inventions under any of industries' other patents which might dominate any such Subject Invention.

Unless the decision of the Court of Claims is revised or otherwise clarified, the fruits of such billions of dollars of private research may be appropriated by the Government without any compensation to the private owners of the patents concerning such fruits. To do so would clearly be unconscionable.

CONCLUSION

The Electronic Industries Association believes that this decision of the Court below is not legally sound, and therefore we respectfully support the petition for certiorari made herein and urge that it be granted.

Respectfully submitted,

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EXHIBIT A

1/14/55

DEPARTMENT OF DEFENSE
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PROCUREMENT REGULATION PATENT SECTION REVISED

Revision No. 1 of the Armed Services Procurement Regulation, Edition of 1955, Part 1 of Section IX on the subject of "Patents" has been sent to the Government Printing Office for printing, the Department of Defense announced today.

This revision is the result of approximately three years of work, which began with the hearings held by the Patent Policy Review Board beginning in January 1952. It will be issued about January 24, 1955, and is effective 90 days after issuance, but may be complied with upon receipt.

Principal changes in the Revision from the current edition are the elimination of ASPR 9-107.2 providing for title to patent rights under specified conditions; the elimination of the requirements of ASPR 9-107.3 for the reproduction rights license under background patents and the substitution of a prohibition against negotiating for patent rights under background patents which have been actually reduced to practice as an incident to the procurement of supplies or services; and changes in the "Reporting of Royalties" requirements. One important change in the latter is to excuse contractors from reporting royalties of less than $250.

There is a new provision authorizing a military department to obtain patent rights under an approved product

improvement program when the department is providing substantial financial support for such program.

Little (d) [ASPR 9-107.1, paragraph (d) of the contract clause] providing for reproduction and use of Technical Data has been removed from the "Patent Rights" clause and is now made a separate contract provision to be retained only until the revision of Part 2, Section IX, is completed on the subject of "Copyright and Technical Data," at which time the subject matter of little (d) will be treated in Part 2.

The treatment of "patent indemnity" has been made more complicated in order to provide greater flexibility to meet different conditions of contracting, but with a general trend toward reducing the amount of indemnity obtained. For instance, indemnity is not to be obtained in contracts which are clearly not for standard commercial supplies, except under rare circumstances. Indemnity is made optional for negotiated contracts, and then only for supplies which are standard commercial *with the contractor* concerned. In advertised contracts, the indemnity is with respect to supplies which are standard commercial *with any supplier*. Two clauses are provided for use in advertised contracts—one which predetermines the applicability of the indemnity at the time of the contract by determining that the supplies are standard commercial; and a second clause which permits the determination of whether the supplies are standard commercial and, therefore, the applicability of the indemnity, to be made at some later time, presumably when a charge of infringement is made. In negotiated contracts, only the predetermined clause may be used.

Numerous other changes of minor nature have been made for the purpose of clarifying the intent of the instructions or the language of the contract clauses.

Applicability of each of the contract clauses to domestic and off-shore procurement is made clear.

Some of the issues of general interest were resolved as follows:

(1) The government will continue to obtain license rights under inventions first actually reduced to practice. However, the circumstances under which inventions which have been covered by a patent application prior to the contract may be excluded, are clarified and increased. Of particular interest to small concerns is a new exclusion which reads: "The invention is useful only for military purposes and the contractor does not have facilities for furnishing the item to the Government in production quantities."

(2) The Government will retain the right to request foreign rights under inventions which the contractor does not choose to patent in a foreign country.

(3) The instructions as to when a patent rights clause is to be included in contracts have not been limited to those contracts wherein research or development work is "specifically called for." Instead, the test is whether "one of the purposes of the contract is experimental, developmental or research work." The instructions do, for the first time, prohibit the use of the Patent Rights clause unless the contract has experimental, developmental or research work for one of its purposes.

(4) The contractor, in the "Reporting of Royalties" clause, is required to furnish a brief description of the royalty bearing unit or process and both the amount and rate of royalties.

In the Supreme Court of the United States

OCTOBER TERM, 1967

No. 1338

AMP INCORPORATED, PETITIONER

v.

UNITED STATES OF AMERICA

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

MEMORANDUM FOR THE UNITED STATES IN OPPOSITION

In May 1950, petitioner entered into a contract with the United States for the research and development of a tool for splicing electrical wires (Pet. App. B-2). Petitioner agreed to grant to the government "an irrevocable * * * license" to use "any invention, improvement or discovery (whether or not patentable) conceived or first actually reduced to practice * * * in the performance of the experimental, developmental or research work called for under this contract" (Pet. App. B-3).

During the course of the performance of the contrat, an employee of petitioner, Mr. Byrem, did develop a wire-splicing device. A patent application for this tool was filed on August 25, 1952 (Pet. App. B-2). In accordance with the contract terms, the government was given a royalty-free license to practice the invention which is the subject to the Byrem patent (Pet. App. B-4).

In June 1953 performance under the contract was completed (Pet. App. B-2). At approximately the same time, petitioner "discovered" that a patent filed in 1946 and issued in 1952, known as the Vinson patent, allegedly dominated the Byrem patent. On November 4, 1953, petitioner acquired the Vinson patent (Pet. App. B-4). Subsequently, petitioner prosecuted successfully its application for the Byrem patent, which was issued in November 1955 (Pet. App. B-2, n. 2).

Subsequent to these events, the government has continued to purchase and use wire-splicing tools identical in structure to the disclosure of the Byrem patent (Pet. App. B-4). In January 1965, petitioner brought this suit in the Court of Claims asserting that the United States, by using the tool disclosed by Byrem, was infringing the Vinson patent which it now owned. That court found that the government "is licensed by implication" to avail itself of the Vinson patent, and accordingly dismissed the action (Pet. App. B-15).

1. Despite petitioner's contention that a number of broad questions are presented in the instant case (see Pet. 5), the Court of Claims accurately stated "that

the issue is simply whether [the government] is licensed by implication under the dominant Vinson Patent in view of the express license granted under the dominated Byrem Patent" (Pet. App. B-5). Viewing the case in this light, it is clear that the decision below was correct, and that further review is not warranted.

In the first place, it is petitioner, not the government, which seeks to avoid and ignore the plain language of the contract. Petitioner expressly agreed to grant the United States an irrevocable license to use, royalty-free, "any invention, improvement or discovery (whether or not patentable) conceived or first actually reduced to practice * * *" in the performance of the work under the contract. The present suit is based upon an alleged infringement of the Vinson patent by virtue of the government's use of Byrem's invention. Petitioner's unqualified agreement was to license the government to use Byrem's discovery without charge—whether or not that discovery was patentable. The contract lacks the restriction which petitioner attempts to read into it; it does not state that petitioner shall grant the government a license to use Byrem's invention without charge "except insofar as the use of Byrem's invention may infringe a patent which AMP, Inc., later acquires." [1]

[1] The fact that the government is given a license to practice Byrem's invention or discovery, *"whether or not patentable,"* seems significant. One reason why a discovery might prove unpatentable, of course, is that existing patents might wholly or partially dominate it. The gist of this contract is that, as far as the contractor is concerned, the government may nonetheless use the discovery without any charge above the contract price.

In short, the terms of this particular contract do not permit petitioner—under any guise—to assess a second charge, in addition to the contract price already paid, against the United States for using Byrem's device.

2. Moreover, as the Court of Claims also held (Pet. App. B-5—B-10), petitioner is estopped from maintaining this action. It has long been settled, for obvious reasons, that "[a] patentee cannot sell his rights to another, and buy or obtain control of an older patent, and through such older patent, dispossess his assignee of the full benefit of what he purchased." *United Printing Machinery Co.* v. *Cross Paper Feeder Co.*, 220 Fed. 322, 324 (D. Mass.); *Frederick B. Stevens, Inc.* v. *Steel & Tubes, Inc.*, 114 F. 2d 815, 819-820 (C.A. 6); *Scovill Mfg. Co.* v. *Radio Corp. of America*, 9 F. Supp. 239, 241 (S.D.N.Y.).

Petitioner, while not denying the inequity of its position, insists that the contract permits it freely to undercut the license it has granted the United States by suing on the later-acquired dominant patent. For this contention, petitioner invokes the provision (Pet. App. C-2) that "[n]othing contained in this paragraph shall be deemed to grant any license under any invention other than a Subject Invention." Relying on this provision, petitioner reasons that it is free to render its own grant of a license illusory, for otherwise the government would have an "implied license" in the Vinson patent, an "invention other than a Subject Invention." That issomething, petitioner says, which the contract does not permit.

Petitioner's reading of the contract is again untenable. Contracts are not usually construed in a manner so that one subsidiary clause allows—or indeed encourages—a party to take away at will what he has otherwise granted. The clause invoked by petitioner was obviously designed merely to insure that the government did not obtain free usage of petitioner's property beyond the bounds of inventions, such as Byrem's, made during the course of contract performance. That subsidiary clause was hardly intended to deny the government an implied license in the dominant patent, or to negate the settled principle of equitable estoppel here correctly applied by the Court of Claims.[2]

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[2] Petitioner plainly misreads the decision below in asserting (Pet. 4) that "the Court of Claims has held that any grant of a patent license to the Government automatically carries with it a license under all other patents owned or subsequently acquired by the licensor." Even a cursory reading of the court's opinion discloses that the rationale relied upon was a significantly narrower one.

Petitioner also is incorrect in asserting that (Pet. 9-10) the government's position here and the decision below are inconsistent with the construction of the contract rendered by the Armed Services Patent Policy Review Board. In stating that the government does not obtain a license under dominant patents, the Board obviously did not advise contractors that they could undercut licenses granted to the government, and charge the government a second time for using the same invention (*e.g.*, here Byrem's invention). No reasonable contractor could have so thought. Moreover, in so contending, petitioner quotes the statement of the Board (Pet. App. F-2—F-3) out of context (Pet. 10), by omitting any reference to the immediately preceding sentence. Considering that sentence as well, it should be noted that the government is *not* here utilizing the invention (*i.e.*, the discovery of Byrem) "in a device

For the reasons stated, the petition for a writ of certiorari should be denied.

Respectfully submitted.

ERWIN N. GRISWOLD,
Solicitor General.

MAY 1968.

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or process which also utilizes an invention disclosed in a dominant patent of the contractor" (Pet. App. F-2—F-3). Rather, the government is using Byrem's invention in a form fully disclosed by the Byrem patent alone (see Pet. App. B-11).

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